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World Business Newspaper http://www.FT.com THURSDAY OCTOBER 3 1996

FTSE 100 index breaks through 4,000 barrier

London's FTSE 100 index surged past 4,000 for the first time, as global equity markets continued to prosper in the light of low inflation and interest rates. Markets in Amsterdam, Brussels, Copenhagen, Dublin, Frankfurt, Istanbul and Oslo recorded all-time highs while on Wall Street, the Dow Jones Industrial Average edged closer to the 6,000 mark, reaching 5,927.26 by lunchtime. Page 15; Lex, Page 14; London stocks, Page 30; World stocks, Page 34

Peruvian jet crashes into sea: A Peruvian Boeing 757 jet carrying 61 passengers and nine crew bound for Chile crashed into the Pacific Ocean after the pilot reported a mechanical failure. Rescuers found no sign of survivors. Page 6

Serbian and Bosnian leaders to meet: Serbian president Slobodan Milosevic is to meet Alija Izetbegovic, his counterpart from Bosnia, in Paris today to push forward the Bosnian peace process. It will be their first bilateral summit since the war. Page 2

Confidence vote for French PM: French prime minister Alain Juppé won e parliamentary vote of confidence after he promised a drive to lower the country's record unemployment. Page 14

EU looks at film guarantee fund: The European Union is considering e loan guarantee operation for film and television production which could lead to the creation of e fund with initial capital of Ecu200m ($250m). Page 3

Bulgaria faces crisis after killing: Bulgaria faces a crisis of confidence following the killing of former prime minister Andrei Lukanov, 58, who became one of Bulgaria's most influential businessmen. Page 2

UK clothing shops probe suppliers

High Street retailers are using UK-based clothing suppliers which pay their staff as little as £1.50 ($2.34) an hour to work in often squalid conditions, e Financial Times investigation has found. Companies have pledged to investigate allegations made by the staff of clothing manufacturers. Reports, Page 9

Japan to resume European investment: Japanese manufacturing subsidiaries in Europe are set to resume investments there after a strong recovery from a period of losses, e Japanese government survey shows. Page 5

Opposition calls for Yeltsin to quit: Russia's opposition politicians stepped up calls for President Boris Yeltsin's resignation, warning that his prolonged hospitalisation was threatening to plunge the country into chaos. Page 14

US funeral group raises bid: Service Corporation International of the US, the world's biggest funeral operator, turned its battle to take over rival Loewen Group of Vancouver into a hostile bid by raising its all-share offer. Page 15

GM faces strikes in Canada: General Motors faces strikes at its Canadian plants today unless there is a last-minute breakthrough in contract talks with the Canadian Auto Workers union. Page 6

Air traffic control sell-off possible: UK transport secretary Sir George Young is resisting a Treasury proposal to revive plans to privatise the air traffic control service before the general election due by May. Page 8; Lex, Page 14

Jardine Fleming loses big fund: Jardine Fleming's fund management arm lost an account worth an estimated HK$800m (US$103m) following the revelation of a trading scandal at the Hong Kong investment bank. Page 15

Endesa stops $1bn Chile move: Spanish utility Endesa temporarily abandoned a $1bn acquisition in Chile that would have gained it e big platform in Latin American electricity generation and distribution. Page 15

Former Quebec premier dies: Robert Bourassa, twice Liberal premier of Quebec, died in Montreal after e long struggle with cancer. He was 63. Page 6

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,928.01	(+23.11)
NASDAQ Composite	1,230.71	(+9.2)
Europe and Far East		
CAC40	2,141.84	(+18.63)
DAX	2,676.5	(+20.77)
FTSE 100	4,015.1	(+22.9)
Nikkei	21,498.6	(+35.63)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.030%
Long Bond	98 7/32
Yield	6.835%

OTHER RATES

UK: 3-mo Interbank	5⅞%	(same)
UK: 10 yr Gilt	100 1/32	(99 1/32)
France: 10 yr OAT	103.29	(103.02)
Germany: 10 yr Bund	101.60	(101.35)
Japan: 10 yr JGB	101.2141	(101.250)

NORTH SEA OIL (Argus)

Brent Dated	$23.15	(23.135)

GOLD

New York Comex		
(Dec)	$382.3	(381.0)
London:		
close	$380.4	(378.7)

DOLLAR

New York: lunchtime		
£	1.586	
DM	1.531	
FFr	5.179	
SFr	1.25875	
Y	111.805	
London:		
£	1.5875	(1.5646)
DM	1.527	(1.5258)
FFr	5.1698	(5.167)
SFr	1.2529	(1.2536)
Y	111.75	(111.295)
Tokyo close:	Y 111.50	

STERLING

DM	2.3935	(2.3872)

Albania	LEK 275	Gibraltar	£0.75	Lithuania Lts	18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr250	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)		Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500		Es265	UAE	Dh13.00

Summit breaks up without agreement between Israeli and Palestinian leaders

Mideast talks fail to bridge gap

By David Gardner and Patti Waldmeir in Washington

The Middle East peace process suffered e big setback yesterday after President Bill Clinton's crisis summit failed to bridge the gulf between Israel and the Palestinians.

But President Clinton announced that the two sides would resume talks on Sunday morning at the Erez checkpoint on the Israeli-Gaza border, beginning what he called "continuous negotiations".

Mr Dennis Ross, the top State Department Middle East negotiator, will be sent to the regioo to help mediate.

Trying to pnt a brave face on the stalemate, Mr Clinton said at a Washington press conference: "I'm convinced that these parties are in better shape than they were two days ago, and please, please give us a chance to make this thing work. The Israelis and the Palestinians are clearly talking again at the highest levels."

He said both leaders recognised "that there is no alternative to the path of peace".

Behind him on the podium Mr Benjamin Netanyahu, the Israeli prime minister, and Mr Yassir Arafat, the Palestinian leader, sat stiffly, refusing to shake hands or look et one another.

Earlier, Mr Clinton had hosted a working lunch with the two men and King Hussein of Jordan.

The summit deadlock will be seen in the US as e defeat for the president, who had hoped for e joint agreement to end the violence which broke out last week after Israel opened a new exit to an archeological tunnel near Moslem holy sites in Jerusalem.

Palestinian officials said all-night talks had failed because of Israel's insistence on reopening discussions on agreements already reached in the second Oslo peaca accord signed e year ago in Washington.

They were particularly incensed by a demand from Mr Netanyahu that Palestinian policemen who returned fire against Israeli troops should be "held accountable".

Mr Arafat was reported to be deeply depressed by the lack of progress and by what he saw as the intransigeance of his Israeli counterpart. Just before dawn, e distraught Mr Arafat exclaimed, "This is worse than your worst expectations, worse than your worst nightmare," according to one of his senior advisers. "You've moved 10 steps backwards," said e senior Arab official.

The Palestinian leader came to Washington needing to secure Israel's agreement to withdraw from the West Bank town of Hebron to demonstrate to supporters that the peace process still had momentum. Under the accord, Israeli troops should already have beenredeployed. The Palestinians are insisting this commitment be carried out immediately. But Israeli officials said withdrawal now was out of the question. Mr Clinton said yesterday that the new round of talks would put "a priority on Hebron", as well as a priority on speed.

Peace from heaven, Page 4

Telekom set to reveal plan for DM3bn payout

Group paves way for flotation with move to double dividend

By Hugo Dixon in London

Deutsche Telekom, the German state-owned telecoms operator, plans to announce tomorrow a DM3bn ($2bn) dividend forecast for next year, double the DM1.5bn it has said it would pay investors this year.

The doubling of the payout is intended to prepare the ground for Deutsche Telekom's flotation, which kicks off tomorrow with the publication of its so-called "pink herring" prospectus.

This will include a profit forecast for 1996 as well as the 1997 dividend forecast. A price range for the shares, however, will not be published until the "red herring" prospectus on October 22.

The share offering is expected to be Europe's largest ever, raising DM10bn–15bn. A high dividend is considered necessary to attract German retail investors, most of whom have not traditionally bought shares, preferring instead to put their savings into bonds.

If the company's entire equity is valued at DM60bn – roughly in the middle of the range expected hy the market – the DM3bn dividend would give a net yield of 5 per cent.

Adding back the tax credit investors receive on dividend payments by German companies would give a gross yield of 7.1 per cent, roughly one percentage point higher than the yield on German government bonds.

The company refused to comment on the size of dividend forecast. But an adviser to the issue said the DM3bn figure had been decided.

Meanwhile, in a report due out today, Deutsche Morgan Grenfell, global bookrunner for the flotation, will forecast that Deutsche Telekom's net income will rise from DM1.4bn this year to DM4.4bn next, and DM8.3bn in 2000.

Most of the big improvement in profits between this year and next will come from the absence of a DM2.6bn exceptional charge, according to the report.

In subsequent years, profits will be boosted mainly through a reduction in interest charges. DMG predicts these will fall from DM7.7bn in 1996 to DM4.3bn in 2000.

Interest charges are expected to come down so rapidly because Deutsche Telekom will be paying off its heavy debt burden. DMG forecasts that net debt will fall from DM92bn at the end of 1996 to DM63bn by the end of 2000.

The report predicts Deutsche Telekom's dividends will not grow as rapidly as earnings in coming years. For 2000, it forecasts a dividend of DM4bn.

Deutsche Telekom quiet on Indonesia stake talk, Page 18

Chris Patten warns Beijing over its plans to scrap Hong Kong's Legislative Council as he makes the last policy address by a British governor of the colony before next year's transfer of sovereignty to China. Picture: Reuter

Beijing warned over Hong Kong

By John Ridding in Hong Kong

Mr Chris Patten yesterday warned Beijing against replacing Hong Kong's legislature after 1997, in the last policy address by e British governor of the colony before next year's transfer of sovereignty to China.

He described the plan as unnecessary, provocative, and destabilising, and said any laws that emerged from e "provisional" legislature set np by Beijing ahead of the handover would be vulnerable to legal challenge in the courts.

Citing the Joint Declaration – the Sino-British agreement on Hong Kong's handover which gives the UK responsibility for the administration of the territory up to June 30 – Mr Patten said: "We will not assist e provisional legislature's establishment, its operation or its ability to withstand legal challenge.

"We will shortly be coming to e crunch of sorts," he said, referring to Beijing's plans to scrap the Legislative Council, elected last year under political reforms introduced by the governor.

Mr Patten struck e largely optimistic tone about Hong Kong's prospects, urging the territory to uphold its autonomy and stressing its potential as e regional business and financial centre.

But he said continued success would depend on the defence of that autonomy, and he set e series of benchmarks to gauge whether this is maintained. These ranged from whether the territory's civil service remained professional and meritocratic, and whether its government was writing its own budget, to whether its monetary authority was managing the territory's foreign exchange reserves without

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KPN in $1.5bn friendly bid for TNT transport group

By Nikki Tait in Sydney and Gordon Cramb in Amsterdam

KPN, the Netherlands' privatised post and telecommunications company, is set to become Europe's largest transport and express delivery group, with a A$2bn ($1.5bn) friendly bid for TNT of Australia.

Shares in both groups rose yesterday as the Dutch company bought a 9.9 per cent stake in the market after revealing the bid.

Sydney-based TNT is recommending the offer, worth A$2.45 a share in cash, which will end 50 years of independence. Much of that time was marked by expansion before it reached the brink of financial disaster three years ago.

The takeover will place the Dutch group among the world's top four – in a market which the two groups called "time sensitive distribution and logistics". When the deal is completed in January, the enlarged company will be the global leader in the segment providing mail services to business.

The purchase, KPN's biggest, signals its ambition to expand beyond its domestic base in postal services, as it has through several telecoms venturea in Europe and beyond. TNT shares closed 78 cents – or almost 48 per cent – higher yesterday at A$2.41, while in Amsterdam stock in KPN added Fl 1.70 to Fl 60.60.

Mr Wim Dik, KPN chief executive, said the aim was to "grow outside our home market, and grow fast enough – which means by acquisition". He expected the deal to have a "slightly positive" effect on KPN's earnings in 1997.

Mr Dik declined to say whether KPN intended to sell off any substantial parts of TNT's business or whether it would retain the Australian brand name in the medium term. Both issues would be reviewed once the deal was completed. About 500 jobs are to go in the Netherlands, but the company said its expansion was such that it could place the workers elsewhere.

The timing of the deal was partly determined by TNT's efforts to sell its 50 per cent holding in Ansett, the Australian airline, to Air New Zealand. KPN had been reluctant to proceed until Tuesday, when the sale was settled.

Mr David Mortimer, TNT's managing director, said the logic had been "compelling". It had been looking at ways to combine the GD Express Worldwide delivery business – in which both it and KPN have stakes – with its domestic time-sensitive distribution operations in Europe, the Americas and Asia-Pacific.

The sale will require clearance from European and US authorities and must meet Australian foreign investment guidelines. Mr Mortimer will head the Asian and Australasian operations of the combined group under Mr Ad Scheepbouwer, who heads KPN's PTT Post unit.

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هكذا من الأصل

Bosnian and Serbian presidents to meet in Paris today in first post-war summit

Leaders prepare to strengthen links

By Laura Silber in Belgrade

President Slobodan Milosevic of Serbia will meet his counterpart from Bosnia, Mr Alija Izetbegovic, in Paris today, to push forward the Bosnian peace process in their first bilateral summit since the war.

Diplomats expect the talks to result in an exchange of diplomatic missions, falling short of a full normalisation of relations between Bosnia and Yugoslavia, now comprised of Serbia and Montenegro. "There remain several obstacles to full diplomatic relations, but both sides want to begin the process," said a western official.

The two presidents are also likely to agree to open air and rail links between their two countries. Previous agreements, first in Dayton last November, to establish full diplomatic relations, and open telephone and transport links, have not been fulfilled.

Mr Milosevic had stalled on normalising relations with Bosnia, in an effort to make Sarajevo drop its lawsuit before the International Court of Justice in The Hague over Serbian genocide in Bosnia.

He had also insisted that sanctions should be lifted before the Paris talks.

The meeting follows the certification on Sunday of Bosnia's imperfect elections, which laid the ground for the establishment of overarching multi-ethnic institutions loosely joining Bosnia's two halves – the Moslem-Croat Federation and Republika Srpska, the Bosnian Serb entity.

Mr Izetbegovic, a Moslem, will serve for the next two years as chairman of Bosnia's three-man presidency after winning the most votes in the September 14 elections.

The certification of elections results paved the way for the UN Security Council to vote unanimously on Tuesday night to lift economic sanctions against Yugoslavia and Republika Srpska. Imposed in June 1992, sanctions were suspended last November when President Milosevic signed the Dayton accords.

According to the Dayton agreement, sanctions were to be lifted automatically 10 days after "free and fair elections". Washington had tried to delay the Security Council vote until the establishment of the new joint governing institutions. But Moscow objected to any postponement.

Russia and the US remain divided on future steps Yugoslavia must take to remove the so-called outer wall of sanctions, imposed in Dayton, and rejoin international organisations, such as the International Monetary Fund and the United Nations.

Western diplomats say the lifting of the "outer wall" hinges on the resolution of the status of Serbia's mostly Albanian province of Kosovo, minority rights, and compliance with the UN tribunal for war crimes.

Nato debates how to live with Russia

Bruce Clark reports on differing alliance views of how to accommodate the giant to the east

As Russian politicians blow hot and cold in their comments about Nato, a lively debate is raging in western capitals over how far the 16-member bloc should go to assuage Moscow's strongly felt concern over plans to expand the alliance.

Mr William Perry, US defence secretary, gave his own version of the challenge when he attended a meeting of his Russian and western counterparts in Norway last week.

"Nato is building a circle of security in Europe... (and) I believe that Europe cannot be secure unless Russia is inside that circle, working together with us," he said.

Mr Perry went on to air some ideas on how Russia might be drawn into the European security order without altering the basic fact: full Nato members are bound by a pledge to defend one another – in article five of its founding treaty – while countries associated with Nato, however closely, are not.

The US Pentagon says Russia could be involved in virtually everything the alliance does except the fulfilment of its basic "article five" obligations – which in any case are taking up a diminishing share of Nato's energy as new tasks, such as peace-keeping, take pride of place. This formula would enable Russia to take part in a host of Nato committees and forums for military planning.

US officials have even suggested that Russia post officers to Nato's influential permanent bureaucracy, the International Military Staff. No other non-member of the alliance has received such an offer.

So wide-ranging are the Pentagon's proposals for broadening contacts with Russia that some of Nato's smaller members, and would-be members, fear the alliance's ability to carry out its core functions could be watered down.

> It is prepared if necessary to expand the alliance without Moscow's assent

But the US administration's enthusiasm for a closer Nato-Russian relationship is tempered by a qualification: while the west will do everything it can to improve security co-operation with Russia, it is prepared if necessary to expand the alliance without Moscow's assent.

Britain, which was cautious when the idea of Nato enlargement was first aired, has swung round to the US position which insists that Russia must not be allowed to veto or slow down the expansion any further.

This means sticking to the timetable already sketched out by the alliance: entry talks with at least three countries – Poland, Hungary and the Czech Republic – will be launched at a summit in summer 1997, leading to expansion as soon as 1999.

But recent pronouncements from France and Germany have raised questions about whether they could contemplate enlargement without some accommodation with Russia. France, which has offered to host next year's summit, believes it should be attended by Russia – as well as Ukraine and other east European countries.

Without saying that Russian assent is a precondition for enlargement, French officials say it is highly desirable to keep the two diplomatic processes – enlargement and Nato-Russian relations – on roughly parallel tracks.

Mr Helmut Kohl, the German chancellor, stressed during his recent visit to Moscow that the west should not take advantage of President Boris Yeltsin's illness to force the pace of enlargement.

Neither the French nor the German view is in outright contradiction of the US or British one. But differences of emphasis within the western camp have threatened to undermine the position of Mr Javier Solana, Nato secretary general, as he seeks to negotiate on behalf of the whole alliance.

Bulgaria faces new crisis after mafia-style killing of ex-premier

By Anthony Robinson, East Europe Editor

Bulgaria faces a new crisis of confidence following the mafia-style killing yesterday of Mr Andrei Lukanov, a former prime minister who became one of Bulgaria's most influential businessmen.

Mr Lukanov, 58, a Moscow-born former communist who ousted the veteran dictator Todor Zhivkov in 1989, was shot in the head and heart outside his front door in a murder without witnesses that bore the hallmarks of a professional assassination.

The view in Sofia was that the assassination mainly reflected conflict between powerful economic interests, but would have inevitable political repercussions on an unpopular government presiding over a deep financial crisis and facing presidential elections later this month.

The killing is the latest bad news for the government which last week was forced to triple annual interest rates to 300 per cent, put nine loss-making banks into special administration and speed plans for a fire-sale of state companies to counter a run on the banks and a haemorrhage of reserves.

The news did not immediately affect markets where Bulgarian Brady bonds strengthened slightly on Friday's announcement of a better-than-expected first B3 rating from Moody's international credit rating agency, roughly on a par with Peru.

Mr Lukanov, who transformed the communist party into the socialist party and presided over Bulgaria's foreign debt default in 1990, was jailed without trial for six months in 1992 by the anti-communist Union of Democratic Forces (UDF) government and remained an influential but somewhat dissident figure in the Socialist Party.

Two months ago, Mr Lukanov, who had close former party and business connections with powerful figures in the Russian oil and gas industry, was suddenly removed from the chairmanship of Topenergy, a Bulgarian-Russian joint venture for the transport of Russian gas and oil through Bulgaria to Turkey and the southern Balkans.

He was replaced by Mr Ilya Pavlov, chairman of Multigroup, the most powerful of the business groups which control large sections of the Bulgarian economy. The full story behind his sudden removal remains unclear.

Mr Nikolai Vulkanov, vice-chairman of Multigroup, hinted that Mr Lukanov was replaced because the socialist government was refusing to approve favourable concessionary terms for the company while the former socialist party leader remained at the head of the company.

This reflected the increasing rivalry between Mr Zhan Videnov, the prime minister, and Mr Lukanov, who became an increasingly outspoken critic of the slow pace of economic reform and the progressive deterioration of the economy.

Mr Lukanov, a multi-lingual politician, was increasingly critical of the prime minister whose inability to carry through the closure of bankrupt state companies and insolvent banks has brought the country to the brink of financial collapse.

After Mr Lukanov's removal, concession terms were agreed and Russian gas recently started to flow through Bulgaria along a new pipeline into Greece.

This is part of a planned $500m investment in new pipelines and pumping stations to transit more than 30bn cu metres of Russian gas through Bulgaria to Turkey and the southern Balkans.

The way in which control over the most strategic company in Bulgaria has passed into Russian hands provoked strong controversy in politically-divided Bulgaria where personal animosities and political rivalries run deep.


Andrei Lukanov in parliament in 1990. The ex-premier became one of Bulgaria's most influential businessmen AP

Warning light at Dehaene's 'turning point'

Belgian PM's budget-by-decree is marked by political compromise in spite of tough choices made in search of Emu fiscal discipline, writes **Neil Buckley**

It was billed as the Budget of the Century; it turned out, economists are saying, to be a typical *compromis à la Belge*.

On Tuesday Mr Jean-Luc Dehaene, Belgium's prime minister, presented a tough 1997 budget which most commentators agree should satisfy the Maastricht treaty convergence criteria – in spirit, if not to the latter – and guarantee Belgium's membership of the European single currency club.

The budget deficit is projected to fall to 2.9 per cent of gross domestic product, just below the the 3 per cent Maastricht target, while BFr370bn ($12bn) of deficit reduction measures will cut the debt ratio by four percentage points to 127 per cent of GDP.

That will still leave Belgium's debt mountain at twice the 60 per cent convergence target. But a 10-point reduction in the ratio from 1993 to 1997 will support Belgium's claim to be making strenuous efforts to reduce the debt at the "satisfactory pace" the Maastricht treaty requires. It hopes its EU partners will overlook the fact that most of the measures announced in the budget are one-offs such as privatisation receipts and a BFr222bn surplus on central bank gold sales.

Mr Dehaene even joked that he would no longer need to talk about Maastricht and monetary union and could get on with other matters.

But Mr Dehaene failed to make bigger structural changes economists had called for. Critics say he made disappointing use of special powers he won in the summer to legislate on the budget by decree – justified by the need to make sure Belgium qualified for the euro, but providing a rare opportunity to make lasting changes without having to battle with parliament.

True, the Belgian premier did not shy away from unpopular measures. Unions are already protesting about his plans to harmonise the retirement age for men and women at 65, requiring women to work five years longer than at present before receiving a full pension. Reductions in healthcare spending and child allowances will also arouse discontent.

The budget did not, however, tackle structural problems such as the huge costs of its system of publicly-funded pensions for public employees, and the effect of Belgium's high taxation burden on the country's competitive position.

While Mr Dehaene's special powers allowed him to by-pass parliament, he could not escape the demands of the other members of his delicately-balanced centre-left coalition government. Horse-trading between the four coalition parties is said to have been intense.

"The budget was politically very balanced, but really it needed to be politically imbalanced to address the fundamental problems," said Mr Peter Praet, chief economist at Belgium's largest bank, Générale de Banque.

Economists hope Mr Dehaene will make further use of his special powars, which also cover measures to reform the social security system and which extend into next year, to confront longer-term challenges.

One fundamental problem the government did vow to tackle is Belgium's crippling BFr9,278bn debt. This mountain of borrowing is a legacy of the country'a economic crisis in the late 1970s and early 1980s in the wake of the oil price shock which hit Belgium'a large but already declining heavy industrial sector particularly hard.

While succesaive governments have brought spending under control, resl efforts to cut the debt have only been possible in the last few years.

A recent study by economists st Banque Bruxelles Lambert shows how heavily the debt hurden weighs on Belgium. Strip out interest cbarges and the budget appears to be being prudeotly managed.

For 1995, primary spending sbowed a surplus of 5 per cent of GDP, one of the highest in the EU, compared with an average primary deficit of 0.1 per cent in Belgium's three neighbours, France, Germany and the Netherlands.

But while interest charges on deht in the neighbouring countries averaged 3.9 per cent, pushing their sverage budget deficit up to 4 per cent, Belgium's interest charge was a hefty 9.1 per cent, transforming its primary surplus into a 4.1 per ceot deficit.

Mr Dehaene said this week the primary surplus would be maintained in future years at least at the 5.5 per ceot projected for 1996, giving Belgium the scope to make real inroads into debt reduction. This would create what be called a "reverse snowball effect" as falling debt led to lower interest cbarges providing even greater scops for debt reduction.

For Belgian citizens, however, who have already eodured a three-year ban on above-inflation pay rises as part of the government's austerity programme, tbe belt-tightening is far from over.

"Even if Belgium meets the Meastricht cballenge, the era of the austerity budget will not be finished," says Ms Kristin Vandenbergen, economist st Banque Bruxelles Lambert.

BBL warns that the need to reduce debt not just for its own beoefit but to comply with tbe "stability pact" envisaged for members of the single currency will severely limit the government's room for manoenvre.

Mr Dehaene called his 1997 budget a "turning point". Belgian citizens, however, may not see [illegible] for a few years [illegible] served.

Belgian budget under control but debt still stubbornly high


Prime Minister Jean-Luc Dehaene: unable to escape demands of coalition partners

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EUROPEAN NEWS DIGEST

Paris soothes Italian anger

France said yesterday it wanted Italy to be among the founder members of a single European currency, but the lira first had to "catch up" with the franc. President Jacques Chirac's spokeswoman, Ms Catherine Colonna, was seeking to clarify the French position after Mr Chirac triggered a diplomatic row with Rome on Tuesday by saying Italy might not be fit to join European monetary union from the start in 1999.

Ms Colonna said Italy's ability to be in the first wave of single currency members hinged partly on its early re-entry into the exchange rate mechanism at a more appropriate level. "We want the lira to rejoin the ERM rapidly.... But, in any case, it must occur at an appropriate level.... and there is undoubtedly some catching-up to do."

In his speech this week Mr Chirac had vociferously echoed French businessmen in blaming a cheap lira for hurting French industry and triggering a flood of car and textile imports. His comments infuriated the Italian government, which had just adopted a tough austerity budget in an attempt to qualify for the single currency. *Reuter, Paris*

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'Progress' on EU security

France and Germany have made "good progress" towards agreement on new European Union arrangements for dealing with internal police and security problems, Mr Klaus Kinkel, Germany's foreign minister, said yesterday after meeting his French counterpart, Mr Hervé de Charette, in Paris.

The ministers met to prepare for Saturday's EU summit in Dublin, though no joint Franco-German plan to give "new impetus" to the stalled intergovernmental conference negotiation is expected until just before the second EU summit in the Irish capital in December.

The two countries have also narrowed their differences on the issues of improving efficiency and democracy in EU decision-making, as well as giving EU foreign policy a higher profile. France, however, remains keener to give more say to national parliaments than the German government which wants to see the European parliament'a role reinforced. *David Buchan, Paris*

Sweden urges EU expansion

Mr Göran Persson, Sweden's prime minister, yesterday warned that any delay in moves to enlarge the European Union could jeopardise stability on the Continent and said he would press for an acceleration of the enlargement process at this weekend's Dublin summit.

Expanding the EU to include former communist countries was vital to building "a safer, more successful Europe", he said. The EU should not discriminate between aspirant members, but allow all applicants to begin membership negotiations at the same time. If countries were told simultaneously that they could not yet enter either Nato or the EU it would lead to increased insecurity. Discriminating between applicants would threaten democratisation. *Hugh Carnegy, Stockholm*

Romanian bank sales delay

Bank privatisation in Romania is unlikely to proceed until next year following parliament's rejection of a banking bill for the second time. The bill, first drafted more than a year ago, failed to secure a majority in the lower house late on Tuesday and will now have to wait until after next month's general election.

Romania has more than 30 commercial banks but the big four state commercial banks still dominate the sector, accounting for about two-thirds of total assets. A World Bank mission is in Bucharest to review a financial sector loan under which Romania is already supposed to have privatised two state banks. The International Monetary Fund has already frozen its lending to the country due to the authorities' failure to free the exchange rate.

Analysts say the governing Party of Social Democracy, which is trailing the centre-right opposition in recent polls, has been unwilling to give up control of state banks before the election. State banks have helped the authorities maintain the currency at an artificially high rate and are used to channel large subsidies to agriculture and state industry. *Virginia Marsh, Budapest*

BSE panel may call Delors

MEPs could call top officials, including former European Commission president Jacques Delors, to face a committee of inquiry probing allegations that the EU was negligeot in dealing with BSE, or mad cow disease, in the early 1990s.

Some are pressing for former senior officials to be summoned to the inquiry following evidence from top civil servants this week that the Commission failed to respond to pleas for more resources to tackle BSE during four crucial years of the disease's development.

"I think a majority of MEPs on the inquiry will want to call those politically responsible for decisions between 1990 and 1994. We have been told that the Commission rejected requests for more vets to monitor BSE. We need to know why this happened as the crisis was growing," said Mr Reimer Boge, a German MEP chairing the inquiry.

Mr Douglas Hogg, the British farm minister, has turned down a request to appear. *Caroline Southey, Brussels*

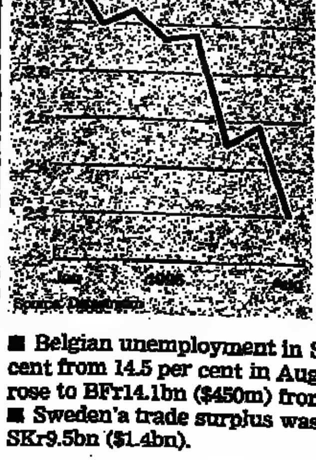
Latvia's finance minister quits

Latvia'a finance minister, Mr Aivar Kreituss, was forced to step down yesterday after being dismissed from his own political party. Mr Andris Shkele, the prime minister, will assume the post temporarily and take next year's deficit-free budget through parliament.

Mr Kreituss was obliged to quit because a minister who is not a member of a party cannot be in the government. He was sacked from the Democratic Party Samnieks, the largest in the six-party government, amid rivalries among tha leadership and accusations that he was failing to fulfil its programme. *Reuter, Riga*

ECONOMIC WATCH

EU inflation falls to 2.3%



Inflation in the European Union reached a record low in August, rising at an annualised rate of 2.3 per cent, Eurostat, the EU's statistical office said. In August last year the rate was 3.1 per cent. Nine out of the 15-nation bloc registered inflation rates below 2.0 per cent, with Sweden showing the smallest rise of 0.3 per cent, followed by Finland with 0.4 per cent, while Greece put in the worst performance with inflation advancing at rate of 8.5 per cent. *Reuter, Brussels*

■ Belgian unemployment in September fell to 14.2 per cent from 14.5 per cent in August. The government deficit rose to BFr14.1bn ($450m) from BFr5.6bn a year earlier.

■ Sweden'a trade surplus was steady in August at SKr9.5bn ($1.4bn).

هكذا من الأصل

UK Bank opposes move on Emu

By Gillian Tett, Economics Correspondent

The Bank of England yesterday said it opposed the shortening of the legal transition period for the introduction of the single European currency.

Mr Steven Collins, head of the Bank's monetary stability wing, told a conference in London: "There remain a few ... outstanding issues. ... one of the most important is the legal end date of the transition."

At the end of last year the European governments decided the notes and coins of the single currency would not be introduced until 2002, even though monetary union will start in 1999.

The governments agreed that it could take up to six months to replace national cash with the new euro cash. Consequently, it was assumed in early discussions that the legal transition period for Emu would last until the middle of 2002.

However, Brussels is arguing the transition period will finish at the end of 2001, by the latest.

This change partly reflects a desire to simplify the timetable; but some observers suspect it highlights a new political momentum to introduce the euro as soon as practically possible – rather than waiting until 2002. Although other European conntries have accepted this switch, UK officials fear it will be very difficult for businesses to change over to the new currency rapidly.

Mr Collins said yesterday: "We have been arguing that it may be impractical for banks and others to switch over to the euro on one day (at the end of 2001)."

The comment comes as the European Commission prepares to issue its legal proposals for Emu in the coming days.

The recent meeting of European ministers in Dublin showed there is now a broad consensus about the shape of this legal framework. In particular, most countries have now accepted the framework will be introduced in a manner which ensures the key principles apply to all European Union countries – even if they do not participate in Emu.

But UK officials are at odds with continental countries over one part of the framework associated with the euro's introduction. The problem has arisen because the delayed nature of the changeover means that the transition will occur at several stages creating possible legal confusion as more than one currency exists at one time.

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CORRECTION

European judicial area

The number of requests for information issued by Milan magistrates in the "Clean Hands" investigation is 500, and not as stated in our October 2 report, "European judicial area sought." The error was due to an incorrect official translation.

EU shapes plan for film guarantee fund

By Emma Tucker in Brussels and Alice Rawsthorn in London

Senior civil servants from European Union culture ministries will meet in Brussels today and tomorrow to finalise proposals for a guarantee fund for film and television production. The proposals, which will be scrutinised by finance ministers before being submitted to a meeting of EU culture ministers in December, and will require approval by all member states, could lead to the creation of a fund with initial capital of Ecu200m ($250m).

The money, nearly half of which would come from the EU, would be used to guarantee loans to an estimated 415 feature films, 215 television productions and 60 catalogue operations over the next 10 years. On the most pessimistic assumption, the fund could function for 17 years without making a further call on the EU budget.

European entertainment groups, notably PolyGram of the Netherlands, have been lobbying forcefully for the creatioo of e loan guarantee fund for film and television. However, objections have been voiced by several member states on the grounds that the fund would intensify EU budgetary pressures.

A guarantee fund to support Europe's film industry is popular among member states such as France that are worried about the growing presence of US culture on European television and film screens. It is also likely to be more acceptable to countries such as Britain, Germany and Sweden that do oot want to protect Europe's audiovisual industry through the use of content quotas. Last year, Freoch-led attempts to stem the inflow of US-made products by tightening quotas imposed on European broadcasters caused a split.

The European Commission, in conjunction with the European Investment Fund, asked various departments to evaluate the viability of establishing a film guarantee fund. Their cooclusions are broadly favourable.

A paper prepared for today's meeting claims that a fund financed by Ecu90m of the EU money already allocated for media purposes, with the rest coming from the private sector, could "generate real value" for the audio-visual industry.

On the most optimistic estimate, the fund could show a profit for 11 years and remain in the black after 2007. Even pessimistic assumptioos suggest it will be profitable for six years, stay in the black until 2003 and will not exhaust its capital until 2012.

In theory, the fund would then require further investment, but the Commission is confident that, by then, it would have stimulated the sector so successfully that a replacemeot would not be required.

Erbakan trip prompts policy fears

PM's itinerary has the secular establishment in an uproar, writes Kelly Couturier in Ankara

Turkey's prime minister, Mr Necmettin Erbakan, yesterday embarked on a controversial trip to Egypt, Libya and Nigeria that underscores the Islamist leader's resolve to chart a new course in his country's foreign policy. It also has Turkey'e secular establishment in an uproar.

The visits to Lihya and Nigeria – Egypt was reportedly added later to make the whole trip more palatable to critics – is being described officially as an attempt to increase economic ties with its African neighbours and, specifically, to persuade Libya to repay the $385m it owes Ankara.

However, Mr Erbakan's journey to two countries that are blacklisted by the west – Libya for supporting terrorism and Nigeria for widespread human rights abuses – has spurred tumult within Turkey'e aecular political establishment.

While it can be argued that the prime minister's foreign policy initiatives during his three months in office have more to do with tone than substance, the Libyan trip has led to charges that his long-term aim is to derail Turkey'e traditional western-leaning foreign policy.

> The prime minister's trip has provoked a crisis in the government coalition

"A party that has gained only 21 per cent of the vote has no right to change the course of Turkish foreign policy," said Mr Mesut Yilmaz, leader of the centre-right opposition Motherland party, referring to the showing made by Mr Erbakan's Welfare party in last December's parliamentary elections.

Mr Yilmaz said Turkish policy had always sought to develop ties with the Islamic world, but ultimately advocated that Turkey's place was in the western world. He criticised Mr Erbakan for making a second visit to Islamic countries and ignoring Turkey's ties with the west and with the Turkic nations of Central Asia.

The trip has provoked a crisis in the government coalition. The secular partner, the True Path party, has refused to send any of its ministers on it, and Mr Mehmet Agar, interior minister, has threatened to resign if Mr Erbakan goes ahead with the visit to Libya.

However, Mrs Tansu Çiller, foreign minister and True Path's leader, who assured critics of her coalition deal with Mr Erbakan that she would moderate the Islamists, has been effectively sidestepped by their leader. Observers point to Mr Erbakan's reported private meetings with ambassadors and other representatives of Islamic countries, and to his determination to nndertake the Libyan trip in spite of his coalition partner'e objections.

However, the prime minister's contacts with Islamic opposition groups outside Turkey, such as Tunisian opposition leader Rashid al-Gannushi, and his statements of support for Egypt'e Islamist opposition, are seen by some as potentially more harmful for Turkey than his trip to Libya.

Egypt and Tunisia are both reported to be concerned about Mr Erbakan's active interest in Islamic opposition groups in their countries. That concern led Mr Abdullah Gul, a Welfare party minister, to stress at a news conference before the prime minister's trip that Turkey has no intention to meddle in any nation's internal affairs.

Among Turkey's western allies, Washington, already irritated by Mr Erbakan'e visit to Iran in August, has signalled its concern abont the Libyan visit. However, the new government has demonstrated its willingness to meet its commitmeots to the west. Despite opposition from within his party, Mr Erbakan has gone ahead with Israeli-Turkish military co-operation arrangements, and has continoed Turkey's assistance to Operation Provide Comfort, the US-British-French allied air force based in Turkey that patrols oorthern Iraq.

Moreover, Turkey still clings to its commitments as a member of Nato and the Organisation for Security and Co-operation in Europe and, according to Mr Michael Lake, the European Union's representative in Ankara, its new customs union with the EU is working oormally. "Turkey's allies should realise," eaid Mr Lake, "that Turkish foreign policy has not changed in concrete terms and we should be wary of throwing out the baby with the bathwater."

Necmettin Erbakan: off to Egypt, Nigeria and Libya Reuter

Water, water everywhere and not a drop of profit

Turkey may spend $200m on a dubious water exporting scheme, writes John Barham

High in the pine-clad hills above Turkey's Mediterranean coast lurks one of the whitest of its many white elephant projects. The idea behind the blandly-named Manavgat River Water Supply Project always seemed e little fantastic: to export vast quantitiee of drinking water to neighbouring Middle Eastern countries, where water shortages are expected to become more acute as populations grow.

Acting on the enthusiasm of Mr Turgut Ozal, the former president, the government's water company dispensed with a thorough feasibility study and started building a system for scooping water out of the Manavgat River and piping it 65 metres downhill to buoys anchored three kilometres offshore. There, a converted oil supertanker would load up witb enougb water to supply a city of 1m people for one day.

But Manavgat never caught on. Started four years ago, it has consumed more than $35m and remains half finished. It has yet to sign up a single client. Mr Hakan Tepençecik, the civil engineer working oo the project, says water is above all a political commodity: "This project will be decided for political reasons, not economic reasons." Israel, Cyprus, Libya and Malta are all mentioned at potential importers of Manavgat water. Few have shown more than cursory interest.

However, the outlook for Manavgat may at last be improving. Mr Necmettin Erbakan, Turkey's Islamist prime minister, is offering to sell its water to Libya, whicb he is visiting this week. Mr Erbakan, indifferent to Libya's pariah status in the west, or the large debts it owes Turkish contractors, apparently sees Manavgat as a way of strengthening political ties, not necessarily as a way of making money.

Manavgat, located io splendid mountain scenery, receives few visitors. But Mr Kamil Cengiz, the project's chief engineer, says he showed a delegation of Libyans around in June.

To the delight of Manavgat's supporters, Mr Erbakan has urged that other water projects be considered on the larger Ceyhan and Seyhan rivers, that also flow into the Mediterranean.

In spite of Mr Erbakan's enthusiasm, the economics of Manavgat remain daunting. Turkey'e treasury, on the verge of bankruptcy, will bave to spend at least another $35m to finish the project. Either Turkey, the importing country or possibly a private operating company would need to spend another $10m to convert an oil supertanker to water carrier. As many as nine would be needed for Manavgat to work at full capacity.

On top of that, the importing country would have to build port installations, a reservoir and distribution systems. These would probably cost another $30m.

If the capital cost of almost $200m look steep, operating costs look equally challenging. Manavgat water could sell at between 80 cents and $1.75 per cubic metre, but transport costs would consume about three quarters of this.

Transport costs would be lower if distances from Manevgat were smaller. Manavgat weter would be cheaper for Israelis than Libyans. In fact, Israel did show some interest in Manavgat but Israeli officials say they doubt the project could be economically viable. In any case, political realities have changed. Mr Erbakan is no friend of Israel.

Greece's Aegean islands could also be an attractive market. They are close by and a reliable water supply could transform their tourist industry. Yet Mr Erbakan is as much of a nationalist as his predecessors.

In spite of his efforts to improve Turkey'e relations with the Islamic world, he has made little progress in overcoming Ankara's dispnte with Baghdad and Damascus over its huge South-eastern Anatolia Project. This $32bn hydroelectric and irrigation project diverts water from the Tigris and Euphrates rivers to develop Turkey's poorest regions.

Althougb the politics of water predominate now, there may come a time when population growth and diminishing water supplies transform weter into an invaluable commodity. If so, Manavgat's pristine water will finally seem not a white elephant but a godsend.

Taliban victory sends shockwave through Asia

By Farhan Bokhari, Sander Thoenes and Gillian Tett

Former Soviet republics call emergency summit as fears grow among Tajikistan's Moscow-backed leaders


A Taliban fighter: success upset strategic balance Reuter

The sweeping military success of the Taliban Islamic movement in Afghanistan has upset the strategic balance in the surrounding region and sent a shock wave through the Commonwealth of Independent States.

The government of Kazakhstan yesterday confirmed that an emergency summit of ex-Soviet republics, first proposed by Russia, would be convened in Almaty at the end of this week in the hope of co-ordinating a response to the crisis.

While Russian warnings of an imminent threat to the heart of the CIS were dismissed as wild exaggeration by some observers, the Taliban victory is bound to alter the odds in the grinding border war that Russia and other ex-Soviet forces have waged in Tajikistan since 1992.

"The situation in Afghanistan greatly worries us, and it obliges us to reinforce our external border," said President Imamali Rakhmonov, the Moscow-backed leader of Tajikistan as the Taliban leaders tightened their grip on Kabul.

So far, the most dramatic comment on the Taliban victory has come from Mr Alexander Lebed, the Russian national security adviser, who suggested that the ancient city of Bokhara in Uzbekistan could come under threat.

"If Taliban, backed by Pakistan, reaches the borders with Uzbekistan and Tajikistan...they will wipe away the Russian border posts and see the road to the north set free," he said.

A western diplomat in Tashkent, the Uzbek capital, described this comment as "scare tactics" which may have been designed to "pull back into the fold" the government of Uzbekistan which has sought to distance itself from Russia on security and defence issues.

But in Pakistan, diplomats said the strong reaction from Russia and other ex-Soviet republics might be one of the reasons why the Taliban has stepped back from confrontation with one rival warlord, the ethnic Uzbek commander General Abdul Rashid Dostum.

The newly-installed regime in Kabul was yesterday intensifying its pursuit of Mr Ahmed Shah Masood, the former defence minister, who has retreated to his Panjshir valley stronghold.

But it appeared to be avoiding any immediate clash with Gen Dostum, whose tanks and heavy artillery were dug in to both ends of the strategic Salang tunnel north-west of Kabul.

Experts on Tajikistan said the Taliban victory could either embolden the coalition of anti-communist and anti-Russian forces who make up the Tajik opposition – or it could force all the Tajik factions into a Russian-arranged compromise.

The outcome will depend on whether the Tajik opposition forces act according to ethnic loyalties or religious ones. If religious ties come to tha fore, the Taliban and the Tajikistan opposition could make common cause as Moslems against the Moscow-aligned regime in Dushanbe which has never ceased to describe itself as communist.

But tribal loyalties stand in the way of such an alliance. The Tajikistan opposition has found encour in northern Afghanistan from Uzbeks and fellow Tajiks – rivals of the Pushtu who dominate Taliban.

Mr Abdulaziz Kamilov, the foreign minister of Uzbekistan, said in London yesterday the fighting in Afghanistan was a matter of vital concern to the west because of the illegal trade in drugs and weapons it had spawned.

He called for a negotiated settlement based on respect for Afghanistan's sovereignty and the right of its people to choose their own political system, with the UN as peace-broker.

Experts on the region say that since the Soviet collapse, Tajikistan has become a key exit route for Afghan-grown heroin.

Paradoxically, the advent of the zealously Moslem Taliban is believed to have fuelled this trend. The Islamic movement's efforts to curb drug cultivation in parts of Afghanistan have apparently forced the trade northwards.

The reasons why the Taliban has enjoyed such spectacular military success are still something of a mystery.

Pakistan has officially denied charges by the former government of Mr Burhanuddin Rabbani, the president who was ousted last week, that Islamabad gave arms and training to the movement which largely consists of former students of religious schools.

But Pakistan's independent religious groups helped the Taliban.

Despite the alarm in the region, potential investors seemed unfazed by the Taliban successes. Unocal, the US oil company which wants to build a pipeline from Turkmenistan to Pakistan via Afghanistan, yesterday said that recent events could give a boost to the project.

"If this leads to peace, stability and international recognition, then this is a positive development," said Mr Chris Teggart, a Unocal vice-president.

Doctors may alter heart treatment

By Daniel Green

Doctors may change the way they treat heart attack victims, following publication today of a paper in the New England Journal of Medicine. It shows that most people who have had heart attacks would benefit from taking a medicine that cut cholesterol levels, even if their cholesterol is normal.

The five-year study of 4,159 patients showed people taking pravastatin, made by Bristol-Myers Squibb of the US, had less chance of a second heart attack or stroke than those on a placebo.

Professor John McMurray, a cardiologist at Glasgow's Western Royal Infirmary, said the results meant "most" of the UK's 1.4m heart-attack patients would be eligible for treatment with the drug, which costs about £1 a day in the UK.

Pravastatin, called Pravachol in the US with other names elsewhere, is one of a group of related drugs whose sales are among the fastest growing in the world.

In the trials, those on the the drug had a 24 per cent lower chance of e second heart attack than those on a placebo. The likelihood of bypass surgery was 28 per cent lower, with similar falls in the chances of a stroke.

The drug was most effective in the 576 women in the trial, for whom the chances of a heart attack by 46 per cent.

But the authors report that although patients on pravastatin had fewer heart attacks or strokes, overall mortality level was not significantly better. Bristol-Myers Squibb says too few deaths occurred of any kind to be statistically significant.

Previous studies with cholesterol-lowering drugs have suggested lower cholesterol may be related to other forms of death such as suicide. But the authors say the study "gives new importance to cholesterol-lowering therapy".

Industrial heartland shut down as Russia stops supplying grid

Power failures hit Kazakhstan

By Sander Thoenes in Almaty

The industrial heartland of Kazakhstan ehut down in a chain reaction of power failures yesterday after Russia decided to cut off electricity supplies.

The Ekibastuz I power station, Kazakhstan's largest, broke down on Tuesday while trying to meet a power shortage after Russian power stations stopped supplying the power grid of northern Kazakhstan.

With the two main suppliers missing, a number of other power plants could not keep up supply of the required voltage and shut down as well.

"It was like an evalanche," said Mr Anatoly Dubetov, head of the energy department at Kazakhstan'e Ministry of Energy and Coal Industry, adding that the power supply in the grid dropped almost by balf. "We've never had it as bad as this."

"Half of Kazakhstan sits in the dark," said Mr Alexander Mashkevich, vice-president of Eurasiabank, which owns a group of large mines, smelters and power plants in northern Kazakhstan.

"The energy system has reached a complete cul-de-sac. No one guarantees payment for energy and even consumers who have paid are not guaranteed electricity," Mr Mashkevich said.

Russia cut off electricity supplies to Kazakhstan's north to enforce payment of a reported $500m in debts; Kazakhstan acknowledges $370m of the debt but has accused Russia of failing to pay for coal supplies and rent of the Baikonur space centre.

Rich in oil and gas, Kazakhstan has been unable to supply its industries and citizens with sufficient heating and electricity for years, due to poor management and e looming debt crisis. Rather than cutting off non-payers, the power monopoly Kazenergo has shut off wbole regions whenever a shortage arose.

Pressed by Russia's cut-off, the Kazakh government suddenly put Kazenergo up for tender yesterday to international power operators. Tractebel, a power operator from Belgium and Asea Brown Boveri, the Swedish-Swiss industry group, have expressed interest in the concession, but such is the panic that bids are due next week.

Tractebel took control of the heating and power supply in the capital of Almaty earlier this summer.

"This is great news," Mr Mashkevich said. "Finally the market will come into play here. Who pays gets electricity, who does not gets cut off."

'Peace comes from heaven – and perhaps a gun'

Judy Dempsey hears Israelis' views following last week's violence

When Israelis last week saw television pictures of armed Palestinian police taking aim at Israeli troops in the West Bank and Gaza, it was not the fighting that disturbed them.

What horrified them was the fact that the Palestinians ware armed by agreement of the Israeli government. This has put the security issue, never far from the thoughts of every Israeli since the establishment of the state of Israel in 1948, back at the top of the agenda.

If the peace process, accelerated with the Israeli-Palestinian Interim Agreement of 1995 that gave Palestinians the right to have their own armed police force, is to be revived, they say, the security iseue must first be addressed.

Mr Benjamin Natanyahu, the Israeli prime minister and leader of the conservative Likud-led coalition government, has stated repeatedly in recent interviews that Palestinians cannot be trusted with these weapons whicb he said were used indiscriminately against Israeli troops, vindicating his own view that the peace process must be anchored to the security of Israel.

According to an opinion poll by Tel Aviv University, 42 per cent of Israelis still support the peace accords, the same percentage as in August. But the poll also shows that only 21 per cent now believe security is better compared with 46 per cent earlier.

The poll is born out on the streets. Mr Chaim Malca, 41, a technician, doubts whether arming the Palestinians was right. "Look, maybe in retrospect it was a serious mistake. I am now more suspicious abont the peace agreement. But what are we meant to do now? Stop the peace process? No. On the contrary. We have to speed it up as soon as possible, avoid any more pent-up frustrations among the Palestinians and set more guidelines for our own security. That's what I would tell Netanyahu," he said." Mr Malca voted for Likud, which leads the rightwing government which last May replaced the Labour government which signed the Interim Peace accord.

Mr Yosef Shimon voted for Likud as well. "But I voted for the peace process too," he said. "These peace negotiations will take a long time. Security just does not happen in the space of a few days," said the 50-year-old lawyer. "But I tell you one thing. I agree with Netanyahu. It is unacceptable that we negotiate under pressure from the barrel of a gun. I think Netanyahu should be given more time to prove himself. The outside world does not understand this," he added.

But Ora, a 30-year-old mother of three, who declined to give her family name, believes there is no time to lose in the search for peace. Not only does she feel the Palestinians should remain armed. She also believes they are trying to combat terrorism on their own side for Israel's benefit. "I realise we should be more distrustful of the Palestinians' intentions. But we can't take the weapons away from them. If we do we will not advance the peace process," she said.

"Both sides have to make concessions. And soon. I am prepared to give up territory but retain land which is essential for guaranteeing our security. I just wisb Netanyahu would come down from the heights. We all need peace. Arabs and Jews. And as soon as possible," she said.

Peace for Mr Ephraim Meier, does not come throngh negotiations. Instead, it comes from heaven – and perhaps the gun.

Mr Meier, 45, is an Orthodox Jew living in Bet-El, a settlement close to the West Bank town of Ramallah, scene of the worst clashes last week. "I feel vindicated by those events. The Arabs are trying to wage a religious war against the Jews," he said, adding that he had only disdain for Arabs, the peace process, and for Mr Shimon Peres, the former Labour prime minister and architect of the Oslo accords.

He said he longed for the day when there would be another clash between Israelis and Palestinians – "so that Israelis can get the chance to kill even more Palestinians. And I will tell you something else. We, the 700 settler families are going to get more weapons to defend ourselves."

EU puts US 'bully' in the WTO dock

Guy de Jonquières and Lionel Barber on Europe's frustration

Mr Richard Holbrooke, the US diplomat who organised the Bosnia peace agreement, accused Europe earlier this year of sleeping through crises while America took charge. This week, the EU shook itself awake and resolved to stand up for its commercial and political interests.

Defying warnings from Washington, EU foreign ministers raised the stakes in the dispute over extra-territorial US trade legislation by agreeing to pursue in the World Trade Organisation their complaints against the Helms-Burton anti-Cuba law.

The decision followed an invitation by the Irish EU presidency to invite Mr Yasser Arafat, the Palestinian leader, to meet the ministers in Luxembourg on his way to the Middle East summit in Washington convened by Mr Bill Clinton, the US president.

Mr Arafat's flying visit resulted in a joint EU statement, which went further than Washington has done in criticising Israel for disproportionate use of force and flatly declared that east Jerusalem was not subject to Israeli sovereignty.

The unusual unity displayed by the 15 EU members challenges the conventional view they are incapable of conducting an effective foreign policy. The initiatives were inspired by the feeling that the US is trying to bully Europe over trade and is ignoring it in the Middle East peace process.

The vigour of the EU response is the more striking because the US has repeatedly exhorted it not to take the Helms-Burton law to the WTO, saying such action would enrage Congress in an election year and weaken public support for the multilateral trade system.

At first, EU foreign ministers seemed ready to heed these warnings, indicating last month that they would delay until after the election on November 6 planned retaliation against Helms-Burton and the D'Amato Act, which targets foreign investors in Iran and Libya.

But urged on by Sir Leon Brittan, the trade commissioner, who insisted Europe's political credibility was at stake, the ministers' patience snapped on Tuesday.

They agreed to ask for a WTO disputes panel to hear charges that Helms-Burton violates world trade rules.

"The US is always citing Congress as a reason for not doing things, but when did Washington ever pay attention to what our parliaments think?" said one EU diplomat. "We cannot renounce our legal rights just because a defendant says it has domestic problems. Doing so would make a monkey of the WTO."

Stripped of the political rhetoric, this might seem simply the most public in a series of trade rows which have strained – but not ruptured – transatlantic relations in recent months. The two sides have quarrelled over plans for a free trade agreement in information technology products, which both claim to back. The US is challenging in the WTO the EU's ban of hormone-treated beef and its banana regime – issues which could create political ructions in Europe if it lost the cases.

However, the EU's decision to press ahead on the Helms-Burton case has potentially much more troubling implications. It could test to the limit US commitment to the WTO and put at risk the newly-strengthened trade disputes mechanisms, on which the WTO's authority rests.

The US has threatened to invoke a rarely-used WTO exemption on the grounds of national security to claim that Helms-Burton does not flout world trade rules. The EU denies the exemption covers the act's sweeping provisions, which authorise private US court actions against foreign companies "trafficking" in confiscated Cuban assets.

But while the exemption is almost 50 years old, it has never been tested in law. If the US sticks to its guns, a WTO disputes panel will have to decide whether it must define the exemption's scope in order to hear the case. Either way, it faces a difficult dilemma.

"If a panel accepted the US argument, it could open the floodgates for defendants in other cases to use national security as an excuse for breaking WTO rules," said one trade diplomat. "That would emasculate the disputes settlement procedures.

"But if a panel found the US defence invalid, it could be accused of over-riding a state's sovereign right to define its national security interests. Given the current mood of the Congress, that would be playing with fire."

Since the WTO disputes system was set up last year, the US has lost one case, over Venezuelan oil export curbs, and is widely expected to lose another, over restrictions on Costa Rican underclothes. Observers fear that losing Helms-Burton could stretch to breaking point tolerance for WTO disciplines in an already sceptical Congress.

Some diplomats in Geneva were insisting yesterday that the US and the EU would settle their differences over Helms-Burton before a WTO panel was set up. The EU meanwhile, believes that an election victory for Mr Clinton will enable him to defuse the dispute. It is less clear, however, whether such calculations are based on realistic expectation – or blind hope.

Mexican antidote to Cuba law

The Mexican Congress has approved a package of measures to prevent companies co-operating with the Helms-Burton law, writes Daniel Dombey in Mexico City.

The bill sets fines of up to $150,000 for companies which provide information to US courts in cases brought under the Helms-Burton law. Companies can also be fined for failing to tell the Mexican government they are being targetted under the law.

If Mexican companies are successfully sued under Helms-Burton in the US, the bill allows them to countersue in Mexican courts.

Cemex, Mexico's leading cement company, pulled out of operations in Cuba after the law was passed.

Grupo Domos, a Mexican company which has interests in Cuba's telecommunications network, is one of the few companies worldwide which the US government has identified as breaking the law.

The Mexican 'antidote' to the Helms-Burton law commanded the support of the three main political parties in a House of Deputies vote.

Eizenstat plans new mission

Mr Stuart Eizenstat, the Commerce Department trade undersecretary and the US special envoy on Cuba, is to visit Italy, France and the Netherlands this month, despite the failure of earlier European trips to try to assuage anger over the Helms-Burton law, writes Anne Counsell in Washington.

Mr Eizenstat said he was disappointed the European Union had decided to challenge the Helms-Burton law in the World Trade Organisation. It was more a foreign policy issue than a trade matter, he said.

"Wa have been consulting with the EU as well as with other partners to affirm that the US administration is careful to implement the Helms-Burton act in a manner which maximises pressure on the Cuban government while minimising friction with our allies," he said.

It was unfortunate that tha EU action did not reflect understanding of these efforts. His visit will take place while the the WTO is holding consultations under its disputes settlement procedure.

Indonesia faces WTO battle on car policy

By Manuela Saragosa in Jakarta and Michiyo Nakamoto in Tokyo

Indonesia faces an uphill battle defending its "national" car policy at the World Trade Organisation against complaints from tha US and Japan that the policy breaches multilateral trade rules.

Japan's trade ministry said yesterday it would file its complaint within a week or so. Late on Tuesday the US said it too was lodging a WTO complaint.

Both countries object to Indonesia's "national" car plan. Under this, a company owned by President Suharto's youngest son, Mr Hutomo Mandala Putra, has been awarded tax and tariff breaks to manufacture the "Timor" car in co-operation with South Korea's Kia Motors.

Indonesia argues that the policy is necessary to develop an indigenous motor industry.

Japanese carmakers, which have a large share of the Indonesian market, say they hava suffered a downturn in demand since the national car policy was announced. The Indonesian Timor cars are expected to cost about half the price of even low-cost Japanese cars sold in the region.

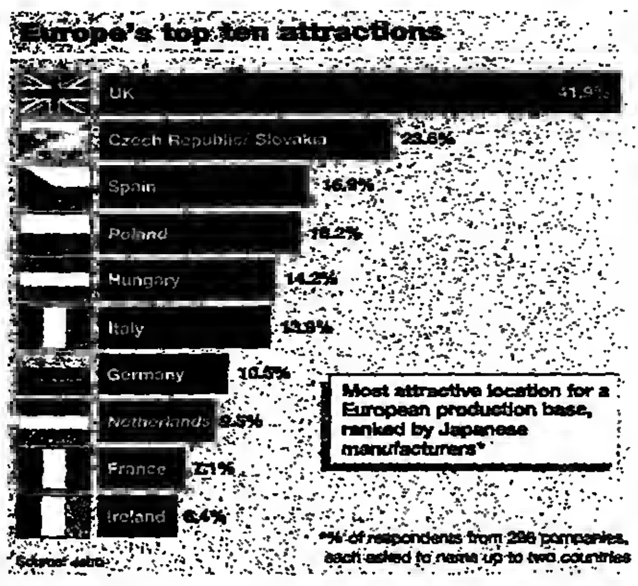
Many established investors, including Toyota, have invested heavily in Indonesian plants over the past decade to meet local content requirements under an incentive scheme that provides tariff relief for producers who use Indonesian-made parts.

Mr Tunky Ariwibowo, the trade and industry minister said yesterday that Indonesia was "ready" to deal with the complaints. "We waot to develop our own national car and master automotive technology," he said.

US aod Japanese parties are expected to argue that the policy violates a WTO article which stipulates that imports cannot be treated differently from locally manufactured products. Mr Hutomo's company, Timor Putra Nasional, has no manufacturing facilities in place yet, and he has been allowed to import completely built-up "national" cars from South Korea tax and duty free until March next year. Thereafter the cars will be made in Indonesia.

Indonesia is expected to argue that because the bank guarantees Timor Putra Nasional secured for the first batch of 4,000 imported "Timor" cars are equal in value to the waived tariffs and luxury taxes, the imported cars are not being treated differently from locally produced models.

The WTO will hold consultations with Indonesia. If the matter is not resolved within 60 days a WTO dispute panel will be set up.



Strong recovery seen in manufacturing subsidiaries in the region

Japan to invest more in Europe

By Guy de Jonquières, World Trade Editor

Most Japanese manufacturing subsidiaries io Europe are set to resume making investments there after a strong recovery from a period of losses, according to a Japanese governmeot survey.

But although the more than 400 Japanese subsidiaries surveyed were more bullish about business prospects in Europe, half said fiercer competition had recently eroded or eliminated their commercial advantage over rivals.

Over three-quarters planned new iovestments in Europe this year and next. Most investments were to modernise or enlarge existing production facilities, oot to build new plants or diversify into new businesses.

The survey, by the Japan External Trade Orgaoisatioo, found strongly increased interest in eastern Europe. Although Britain remained Japanese companies' favourite locatioo for a production base, the Czech Republic, Slovakia, Poland and Hungary were ranked above most other western European countries.

Most Japanese subsidiaries foresaw growing business opportunities in central and eastern Europe as a result of closer relations between the region and the EU. But they also expected cheap products from the region to intensify competition in Europe.

Maoy subsidiaries said they had shifted parts and materials sourcing because of the appreciation of the yen. More thao 90 per cent had reduced imports from Japan, in favour of other parts of Asia, central and eastern Europe and north America. More than half the subsidiaries bought at least 70 per cent of parts and materials locally.

The investment recovery by Japanese subsidiaries follows improved operating performance in 1994. Two-thirds said profits were higher that year than in 1993. One-third said they were still in loss, compared with more than half in a similar survey a year earlier.

GM Canada unlikely to avoid strike

By Bernard Simon in Toronto

General Motors faces escalating strikes at its Canadian plants today, barring a last-minute breakthrough in contract talks with the Canadian Auto Workers union.

Should the work stoppages go ahead, they are likely to cripple GM operations throughout North America over the next week or two. The carmaker's Canadian assembly and parts operations are closely integrated with their US counterparts thanks to free-trade agreements in automotive products stretching back to the mid-1960s.

The union had set a strike deadline of midnight last night. Negotiations with GM continued at a Toronto hotel yesterday.

However, Mr Buzz Hargrove, the CAW's president, told the union's 28,500 GM members late on Tuesday night that "there's been so little progress that I can't see how we can avoid a strike".

The main sticking point is a demand by GM for greater flexibility in "outsourcing" work to outside suppliers, many of them non-unionised. GM Canada has given notice of plans to sell two parts plants and may shrink a third, which together employ almost a fifth of its workforce.

CAW negotiators want GM to follow the pattern set by a three-year contract negotiated last month with Chrysler's Canadian subsidiary. Chrysler agreed to replace any jobs lost to outsourcing at its Canadian plants, provided it was making a profit.

However, GM has made less progress in sourcing components from outside suppliers, and has said that it needs more flexibility than Chrysler to remain competitive.

Barring a last-minute settlement, the CAW plans to begin the strikes today at GM Canada's flagship plant in Oshawa, east of Toronto, and a smaller assembly line at Ste-Thérèse, Quebec.

The Oshawa plant produces Buick Regal, Chevrolet Lumina and Monte Carlo models, as well as pick-ups. It also manufactures numerous components, including batteries and instrument clusters.

The stoppages would be extended to other GM plants within a week, including a V6 and V8 engine factory in St Catharine's, Ontario, and parts plants in Windsor, Ontario.

GM produced 908,000 vehicles in Canada last year, or about 17 per cent of its total North American output. It has been attracted to Canada by relatively low labour costs, thanks mainly to a government-financed health care system.

Bourassa: fought split

OBITUARY: ROBERT BOURASSA

A strong defender of federalism

Mr Robert Bourassa, Liberal premier of Quebec from 1970 to 1976 and 1985 to 1994, died yesterday in a Montreal hospital after a long struggle with cancer. He was 63.

With his death Canada loses a strong defender of federalism. Mr Bourassa always believed Canada needed its French-speaking province, biggest in population after Ontario, and that Quebec could best pursue its destiny within Canada.

"Canada could not survive if split into two distant parts with an independent Quebec in between," he often said. "Quebec would be isolated. Most Quebeckers don't want the destruction of Canada."

He became premier at 36 and was immediately plunged into the October 1970 terrorist crisis when the British diplomat Mr James Cross and the Quebec Labor Minister, Pierre Laporte, were kidnapped. Mr Cross was freed but Mr Laporte was killed.

Although the economy prospered in the next few years he lost power in 1976 to the separatist Parti Québécois – which exploited Quebeckers' fears for the French language.

Mr Bourassa, trained as a lawyer and economist, went into exile, lecturing on federal systems in Europe and writing extensively. He returned to power in 1985 with a huge majority, promising to improve the economy and ensure social peace.

His great disappointment was the 1990 rejection of the Meech Lake constitutional accord which would have recognised Quebec as a distinct society and loosened some federal powers.

"I had five very reasonable proposals and they were accepted by eight provinces representing 95 per cent of Canada's population," he said afterwards.

Mr Bourassa worked to contain the nationalist backlash as well as easing the French-only rules for commercial signs.

His skin cancer became known in 1993 and ha resigned as premier in 1994. His successor, Mr Daniel Johnson, lost the 1994 election to the Parti Québécois – which narrowly lost the 1995 referendum on independence.

Mr Bourassa, who often withstood aggressive attacks by union leaders, was determined to keep Quebec in the mainstream, economically and culturally.

Robert Gibbens

No survivors as Peruvian 757 crashes

A Peruvian passenger jet carrying 70 people bound for Chile crashed into the Pacific Ocean early yesterday after the pilot reported a mechanical failure. No survivors had been found by yesterday afternoon, AP reports from Ancon, Peru.

Patrol boats moving through thick fog found the wreckage 65 km west of the beach resort of Ancon, said Admiral Jaime Monge, head of navy rescue operations. Ancon is (50 km) north of Lima. The fuselage had split in half and there were no immediata signs of survivors.

Aeroperu Flight 603, a Boeing 757, was en route to Santiago when it crashed, the airline said in a statement. The aircraft left Lima at 12:42 am and the pilot reported mechanical failure about five minutes later, the statement said. All contact was lost at 1:10 am.

The Transportation Minister, Ms Elsa Carrera, said that she had heard a tape of a conversation between the pilot, Erick Schreiber, and the Lima control tower and that it indicated the aircraft's navigational system failed.

She quoted the pilot as saying: "What's happening. What altitude am I at? Why is my ground crash alarm on? Am I over land or sea?"

She said the tower told him he was over the ocean, and he then asked for an aircraft to guide him home to the airport. The pilot was told one would arrive in 15 minutes. The tower then lost contact with the aircraft, Ms Carrera said.

Aeroperu officials listed 30 victims from Chile, 20 from Peru, including the nine-man crew, six from Mexico, four from the US, two from Italy, two from Britain, two from Ecuador, and one each from New Zealand, Spain, Colombia and Venezuela.

A Boeing 727 carried the passengers on the first leg of the flight from Miami after a 757 thare developed mechanical problems, said Mr Raul Chiappo, the airline's operations manager for Miami. The 727 had been flown to Miami from Peru, he said.

Mr Chiappo said 20 people aboard during the crash had boarded the flight in Miami. One had switched from a flight from New York.

The waters in the crash area are in the cold Humboldt current that flows up the South American coast from Antarctica.

Aeroperu was owned by tha Peruvian government until it was purchased by Aerovias de Mexico three years ago.

Its operations are based in Lima.

AMERICAN NEWS DIGEST

Perry calls for anthrax vaccines

The US defence secretary, Mr William Perry, is considering a plan to vaccinate the 1.5m members of the active-duty military against the biological warfare agent anthrax, senior officials said yesterday. Though final approval could be weeks away, the momentum for the anthrax vaccinations got a major boost when the Joint Chiefs of Staff recommended that planning for the $120m programme proceed, a Pentagon spokesman said.

Troops deployed to Korea and the Gulf – considered the highest risk regions for biological warfare – would be first to receive the six inoculations over 18 months, the spokesman said. Service members within 35 days of going to those areas would be next on the priority list.

The programme marks a reversal of policy among senior commanders, who have worried that the vaccine was costly, not needed and might have worrisome side effects.

AP, Washington

US construction up 0.9%

Spending on construction in the US rebounded in August from a July drop, the Commerce Department said yesterday, largely because of a jump in privately financed business building.

Total construction was up 0.9 per cent to a seasonally adjusted annual rate of $562.1bn in August after falling a revised 1.1 per cent in July. Previously, the department said July spending was down more sharply, by 1.4 per cent.

All the gain in August construction spending occurred in the private sector, where outlays increased 1.3 percent to a rate of $423.4bn following a 1.2 per cent decline in July.

By contrast, public, or taxpayer-financed, building projects posted a 0.2 per cent spending decrease in August after declines of 0.7 per cent in July and 0.3 percent in June.

Reuter, Washington

Bank of Canada cuts rate

The Bank of Canada yesterday cut short-term interest rates for the eighth time this year, lowering its key bank rate by 25 basis points to 4 per cent.

The move by the central bank prompted Canada's major chartered banks to lower their prime lending rates to 5.5 per cent from 5.75 per cent. Prime rates are now at their lowest level since February 1994.

It was the seventh time this year the bank has cut rates independent of an easing by the US Federal Reserve. The Fed's discount rate, at which the central bank lends funds to banking institutions, is at 5.0 per cent. The Bank of Canada said yesterday that the move was consistent with a recent appreciation in the Canadian dollar and declines in money-market interest rates.

Reuter, Ottawa

Brazilians go to the polls

Brazilians vote today in municipal elections to chose more than 5,000 mayors after a two-month campaign that has dominated national politics.

Mayors of Brazil's big cities occupy some of the most powerful political posts in the country and some 125 federal deputies and senators are running for local office. Congress has come to a near standstill as legislators and some ministers have abandoned Brasília to campaign for party colleagues.

Supporters of President Fernando Henrique Cardoso hope a good showing for candidates of his centrist PSDB and its congressional allies, the right-of-centre PFL, will strengthen the government's hand at national level.

This would help Mr Cardoso's efforts to change the constitution to allow him to run for a second term in office in 1998.

He needs the support of two-thirds of congressmen to do so; a vote on the issue is expected early next year.

Jonathan Wheatley, São Paulo

US joins drugs fight

The US announced yesterday that it would send $75m in military aid to Colombia, Peru, Venezuela and seven Caribbean islands to help them fight drug trafficking. On September 24, President Bill Clinton told the UN General Assembly that he would make available $100m in military aid to help South America and the Caribbean region stamp out the drug trade at its source. These $75m are apparently part of that aid package. The seven islands, which belong to the Eastern Caribbean Regional Security System, are Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, and the Grenadines.

AFP, Washington

N Korea warns over troops' death

By John Burton in Seoul

North Korea yesterday threatened "serious consequences" in retaliation for the death of 22 North Korean soldiers who landed in South Korea after their submarine went aground two weeks ago.

The threat was made after North Korea demanded the return of the submarine and its 26-man crew during a military armistice commission meeting with the United Nations Command, which represents US and South Korean forces.

North Korea claimed that the submarine had accidently drifted into South Korean waters because of an engine problem, but the UN Command said the intrusion had been a "serious and deliberate violation" of the armistice agreement that ended the 1950-53 Korean war.

Both US and South Korean military officials believe the submarine was trying to land a combat reconnaissance team when it accidently went aground. Eleven North Koreans have been found dead, while 11 have been killed by South Korean troops and one captured. Three others are still being hunted.

The South Korean military yesterday increased surveillance activity, but not its military alert status.

Meanwhile, officials in Seoul were speculating whether North Korea had already begun taking revenge after a South Korean diplomat was murdered on Tuesday night in the Russian far east port of Vladivostok.

Mr Choi Duck-kuen, who was in charge of security and North Korean affairs at the South Korean consulate in Vladivostok, was beaten and stabbed to death on the stairs of his apartment block.

Although Vladivostok is notorious for crime, robbery was ruled out as a motive for the attack on Mr Choi, the first South Korean diplomat ever to be killed, because his wallet and other belongings were not taken.

Mr Lee Yang-ho, defence minister, warned North Korea might be preparing to launch a limited war against South Korea. Other officials have suggested North Korea might be trying to exploit the submarine incident and future military actions in its campaign to achieve a peace treaty with the US.

"The North has raised tensions oo the Korean peninsula in order to claim that the current armistice agreemeot cannot effectively cope with this sort of crisis," said the South Korean vice-foreign minister.

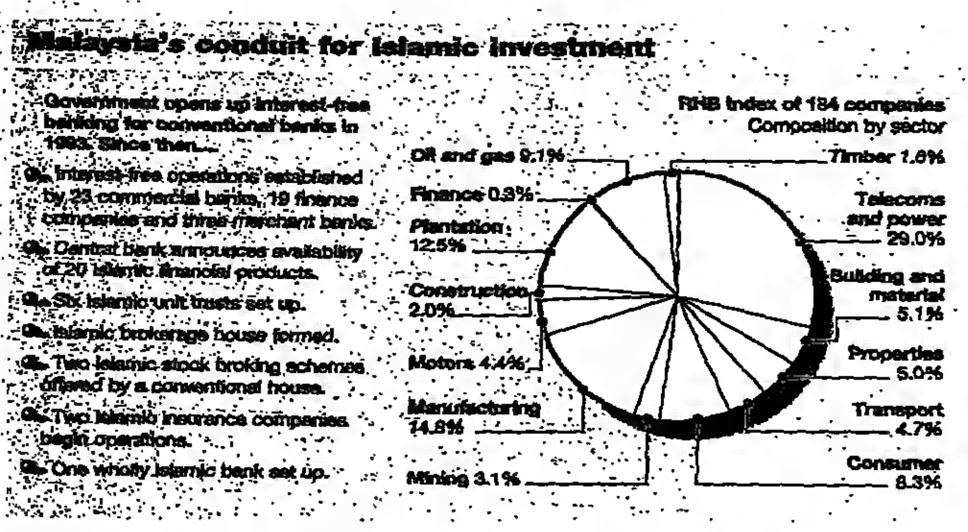
Malaysia sees Islamic banking boom

It may seem ironic that many of the best customers in Malaysia's Islamic finance boom are not Moslems. But behind the irony is an insight into the country's emerging status as a centre for Islamic stockbroking, banking and finance: by stretching Moslem definitions, Malaysia's financial architects have designed Islamic instruments that are in some cases more attractive than their conventional counterparts.

"Most of the demand for our Islamic housing loans have come from the Chinese [minority]," said one local banker with a rueful smile. "If I am not mistaken, they are mostly Buddhist, or Christian," he added.

Islam prohibits giving or taking interest, discounting the face value of a currency, or any involvement with gambling, drinking alcohol, eating pork, prostitution and other proscribed activities. In moch of the Islamic world, these restrictions have complicated the development of a vibrant financial system.

Malaysia, where just over half the population are Moslem, is striving to lead the world in developing sophisticated Islamic financial services. Backed by the nation's leaders, the drive is aimed at making the country a conduit for Middle Eastern and other Islamic investments in the Asian region. To a lesser extent, it is also hoped that the business contacts derived from handling Islamic funds will facilitate Malaysian investments in and around the Middle East, observers said.



The rewards could be great: about one fifth of the world's population are Moslems and the Middle East is one of the world's biggest repositories of uninvested cash.

Mr Affifudin Omar, Malaysia's deputy finance minister, said recently that since laws were changed in 1993, 23 commercial banks, 19 finance companies and three merchant banks bave started Islamic operations in Malaysia. Deposits in Islamic non-interest accounts were M$6.1bn ($2.43bn) at the end of June this year, nearly 2 per cent of total bank deposits.

Malaysia has also developed active markets for central bank bills, treasury bills, corporate notes and other instruments designed along Islamic lines. The local Arab Malaysian Bank has begun an aggressive marketing push for the country's first Islamic Visa card. The bank says where possible it will reject payments for night clubs, massage parlours and the like.

But it is in the field of stockbroking that the boldest steps are being taken. Abrar Group International, an investment bolding company with more than M$2bn in funds, is promineot among a few emerging Islamic asset managers. Mrs Rohani Shahir, chief executive officer of Abrar Global Asset Managers, said most of the company's original clients came from the Middle East. Now only 40 per cent are from overseas. In lieu of a commission, Abrar takes 20 per cent of the profits from a client's investment.

Another brokerage, Rashid Hussain Asset Management, launched in May the country's first index of stocks cbecked for conformity to shariah (Islamic) principles. Composed of 184 counters, the Rashid Hussain Barhad (RHB) index has tracked the market's hroadest index, Emas, with few deviations.

Both Abrar and Rashid Hussain are oow looking to set up unit trusts for Islamic-approved (*holal*) companies throughout Asia. Mr Amin Rafie Othman, senior general manager at Rashid Hussain, said Indonesia – with an estimated 160m Moslems – has most potential for Islamic stockbroking.

There are problems. One is the amount of work involved io checkiog companies against a list of proscribed activities. And most corporations pey interest or earn interest, which sbould put them off-limits to Moslems.

But Malaysia's approacb has been to allow considerable flexibility in classifying a company as *halal* or otherwise. Some stockbrokers are devising schemes to grade companies not according to wbether they indulge in proscribed activities, but according to what percentage of their earnings tbey derive from them.

"We know that these interpretations are a heresy to some Moslems but we are hoping that gradually they will become accepted," said one Islamic broker.

Even foreign banks have begun offering Islamic services. Standard Chartered Bank already has depositors in its ooo-interest eccounts, whicb customers say offer better returns than conventiooal accounts. In November, the bank will start non-interest bousing loans. If clients find they would be better off repaying an interest-based loan, they will be allowed to switch from Islamic to conveotional debt.

"The important thing is to make Islamic bankiog attractive as well as Islamic," said Mr Zahar Samad, head of the interest-free banking unit at the Standard Chartered Bank.

James Kynge

Kashmiri party in sweeping victory

By Lisa Vaughan in New Delhi

The pro-Indian National Conference party won an emphatic victory in the first local elections in the troubled Himalayan state of Jammu and Kashmir since the outbreak of a separatist rebellion in 1990 and immediately raised the prospect of aotonomy.

"Autooomy is needed to give a healing touch to the longstanding grievances of the people of the state," said Mr Farooq Abdullah, leader of the moderate Natiooal Conference party. "It is the only remedy to silence the guns in Kashmir," he said of the civil war which has left 20,000 dead.

The party won 52 seats in tbe state's 87-member assembly, election officials said. It trounced the Congress party and the Hindu nationalist Bharatiya Janata party, wbicb took seveo seats each. Prime Minister Mr H.D. Deve Gowda's socialist Janata Dal party won five. Moslem separatist parties bad ordered a boycott of the election.

Mr Abdullah will be returned as Kashmir's chief minister after being ousted from the post six years ago for failing to quell the incipient Moslem separatist uprising.

India's constitution originally gave Kashmiris nominal control over most of their affairs, but New Delhi has gradually eroded these powers since 1952. The Natiooal Confereoce wants to recapture some of them to belp subdue the separatist movement.

Mr Abdullah, who escaped two grenade attacks during the polls, said the new state government would set up a committee to examine the issne of autonomy and report within one year.

An estimated 58 per cent of 300,000 poteotial voters cast their ballots for the final six seats in the legislature.

ASIA-PACIFIC NEWS DIGEST

Malaysia signs dam contract

Malaysia signed a long-delayed contract with a consortium led by Swiss-based ABB electrical engineering group yesterday to build south-east Asia's biggest dam, ending months of discord between the companies taking part in the controversial project. Prime Minister Mahathir Mohamad said the problems which had delayed the signing three times bave been resolved. He added that he was confident the $5.5bn hydroelectric dam would be finished on schedule in 2002 despite legal complications and opposition from environmentalists.

ABB's main partner is Brazil's Companhia Brasileira de Projectos e Obras. The 2,400MW dam project, supported ardently by Dr Mahathir, means clearing of 69,000 hectares of rainforest and the resettlement of 9,400 tribal residents. About 70 per ceot of the power produced will be sent via the world'e longest undersea cable from Borneo to peninsular Malaysia. *James Kynge, Kuala Lumpur*

New Japan party wins support

Japan's newest political party has become its third most popular within days of formation, just over two weeks before a general election on October 20. The Democratic party, formed last weekend by defectors from the mainstream parties under Mr Yukio Hatoyama, scion of one of Japan's richest and most powerful political families, and Mr Naoto Kan, the health minister, yesterday won just over 12 per cent support in a poll of 3,000 voters by Kyodo news ageocy.

That leaves it only just behind the largest opposition group, the centre-right New Frontier party, with nearly 13 per cent. The ruling Liberal Democratic party, bowever, has enlarged its lead with 38.5 per cent support, up 3.5 percentage points from the most recent Kyodo poll in July. *William Dawkins, Tokyo*

Mongolian accounting rules

Mongolia is to introduce accounting standards in line with those being developed for the world's leading stock markets. A common code would be drawn up, a Moscow meeting of the Commonwealth of Independent States agreed recently. The Organisatioo for Economic Co-Operation and Developmeot says the "long-term undertaking" would involve International Accounting Standards Committee – the body leading efforts to write a set of core standards acceptable to world stock markets. Initial agreemeot will be to draw up a conceptual framework and a standard of presentation of financial data.

The decision to seek the co-operation of the IASC follows its breakthrough agreement with Iosco – the organisation representing the world's main securities regulators. Initial drafts of the framework and presentational standard will be reviewed in early 1997 before the annual meeting of the co-ordinating body – the Co-ordinating Council on Accounting Methodology in the CIS – in Moldova. *Jim Kelly, London*

Indian petrol hoax revealed

The recipe behind herbal petrol which baffled India's scientific establishment has been revealed as a hoax.

The experiment, which involved boiling a berb in water, depended on the "inventor" using a hollow stirrer filled with petrol. Mr Ramar Pillai, a 30-year-old school drop-out, had the public clamouring for the cheap petrol. *Lisa Vaughan, New Delhi*

Air traffic control sell-off may be revived

By George Parker and Michael Skapinker in London

Sir George Young, the transport secretary, is resisting a Treasury proposal to revive plans to privatise the air traffic control service before the general election.

Sir George has warned ministers that the sale would be controversial and complicated, and might prove difficult to push through parliament in the remaining months before an election.

Mr Kenneth Clarke, the chancellor, is searching for ways of raising revenue before the Budget next month and believes the sale of National Air Traffic Services, a subsidiary of the Civil Aviation Authority, could raise at least £600m ($936m).

The sale was dropped last year in the face of opposition from airlines and MPs on the House of Commons transport select committee. It emerged yesterday that the Royal Air Force, which shares Nats' facilities, is also strongly opposed to the privatisation.

The Department of Transport is considering details of a possible sale, and Sir George is said to be prepared to support it if there is an overriding political imperative to raise cash for the Treasury.

The matter will be discussed in the near future at cabinet committee level, where Sir George will point out the political and practical problems of pushing ahead.

Yesterday Mr Andrew Smith, transport spokesman of the opposition Labour party, said Labour would fiercely oppose privatisation. Mr Smith said: "Our air is not for sale."

He added that privatisation would threaten plans to build a £200m air traffic control centre at Prestwick, near Glasgow in Scotland. The CAA is reviewing plans to build the centre, which would be funded by the government's private finance initiative.

If the Scottish centre were abandoned, all air traffic in the UK and across the Atlantic would be handled by the CAA's new centre at Swanwick, near Portsmouth in southern England, which is expected to open at the end of next year. The CAA said yesterday its review would take several more weeks.

Mr Smith also called for the proposed alliance between British Airways and American Airlines to be referred to the UK competition authorities. The call came shortly after Mr Ian Lang, trade and industry secretary, received an Office of Fair Trading report on the proposed tie-up.

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Arts chief warns on £3m cut in funding

By Antony Thorncroft in London

National Lottery funding for the arts may arrive too late to offset the crises created by continuing cuts in the Arts Council's annual grant, Lord Gowrie, chairman of the Arts Council of England, warned yesterday.

He was launching the Arts Council's annual report for 1995-96, but his concern focused on the size of the annual grant for the arts for 1997-98, which will be announced next month. The Council has been told by the government to expect a cut of £3.2m (£4.9m). This year's grant totalled £186m.

"This would create a very, very, serious situation," said Lord Gowrie. In theory, the arrival of lottery money for the arts, which provides the Arts Lottery Board with a further £250m a year to be spent on capital projects, should not affect the annual funding of the arts, which covers running costs. In practice, the Treasury is attempting to reduce the size of the annual grant. Since 1994 it has been cut by £17m in real terms.

"The Treasury is the Ministry of No," said Lord Gowrie, who is a former Treasury minister. "I don't expect large injections of cash from the Treasury. If they keep us on standstill funding, the arts can manage until the fruits of the lottery come on stream. It is a question of getting from here to there."

Ms Mary Allen, secretary general of the Arts Council, is even more pessimistic. She fears that the cut in the 1997-98 grant could be even greater than projected. "The level of artistic activity in the country is already decreasing. This will lead to smaller audiences and even lower income," she said.

Touring companies, such as Welsh National Opera and Ballet Rambert, are reducing their seasons; art galleries, such as the Serpentine, in London's Hyde Park, must now look to commercial sponsors – not just to cover the extra costs of mounting exhibitions but to pay staff. After rising by 34 per cent between 1981-91, the number of people employed in the arts is falling. Most of the leading arts companies, have substantial debts.

The Arts Council is putting pressure on the government because it believes that political and public opinion considers the lottery to have solved all the financial problems of the arts. But although the Arts Lottery Board has announced grants totalling £450m to almost 800 arts organisations, less than £55m has actually been handed over. The Council has persuaded Mrs Virginia Bottomley, the heritage minister, to widen the scope of lottery funding to cover the commissioning of new art works and the widening of the audience, but in the short term arts funding is being severely squeezed.

Colin Beere

Lord Gowrie, a former government minister, said the Treasury was "the Ministry of No"

Monks says Labour must take lead on membership of Emu

By Robert Taylor, in Blackpool

A Labour government should take the UK into the "first wave" of any future European single currency, Mr John Monks, the general secretary of the Trades Union Congress, said yesterday at a meeting on the fringe of the main opposition Labour party conference. He added that the trade unions should "help a Labour government with the historic decision it must make early in its life".

"The choice is to go in the first wave or wait," said Mr Monks. "On balance we say [to a Labour government] go for it. Avoid a later negotiation to try and get into a scheme which is already up and running. Recognise a future devaluation of sterling against a single currency is likely to attract a surcharge on British exports to the single market and acccept there is no alternative to a UK economy competitive on quality."

Mr Monks added that the unions must play "a positive part in helping the UK to find its true, central role in the development of the European Union instead of continually, ineffectively sitting in the brake van.

"We would ideally like to have made different decisions, made them later and against different criteria. But that is not the choice."

The TUC general secretary's remarks contrast with party leader Mr Tony Blair's caution on the Emu issue and the view of Labour shadow foreign secretary Mr Robin Cook, who wants to see the EU develop convergence criteria on employment before going ahead with a single currency.

Mr Monks also emphasised yesterday that the trade unions were ready to develop a new relationship with a Labour government based on "mutual respect".

"Unions are independent bodies with their own agenda set by the needs and problems of their memberships," he said. "That is why our relationship with a good government should be the same as we try to build with the good employer – that of partnership."

The TUC general secretary said there could "be no question" of trade unions "simply saying because some business people have had their backs scratched completely unjustifiably in recent years we can expect similar treatment. But if we should not expect our backs to be scratched, neither should we roll over to have our tummies tickled."

Mr Monks said the unions must show they could play a "positive, practical part in solving Britain's problems" by helping to develop high-quality, well-regarded public services" and "in avoiding unnecessary disputes".

"What new unionism seeks to do is to build a determination to help make union Britain so successful everyone wants to join."

Blair wins fight over pensions

By James Blitz

Mr Tony Blair, the Labour leader, last night crossed the one serious political hurdle he has faced at this year's party conference when delegates voted down a motion calling for rises in the value of state pensions.

After weeks of uncertainty over how the big unions and constituency delegates would vote on the issue, the conference comfortably defeated a motion calling for state pensions to be annually uprated against earnings rather than prices.

Yesterday's victory came after the only genuine policy debate at this year's conference. Its highlight was a powerful and biting speech by Baroness Castle, the former cabinet minister, who has campaigned passionately for pension increases.

Full details of how votes were cast will become available today. But the GMB general union is thought to have been one of the few to cast its block vote in favour of the earnings link. Calls to overturn the motion are thought to have gained strong support from constituency representatives.

The leadership's victory reinforced the strong message sent out earlier in the week by Mr Gordon Brown, shadow chancellor, that Labour is committed to tight control of fiscal spending.

Mr Brown had expressed concern that restoration of the earnings link would have cost billions of pounds.

Trade unions still force to be reckoned with

'Old Labour' shows loyalty by throwing weight behind party leader to save pensions issue

There was more than a touch of Old Labour on display at the party conference yesterday, as trade unions threw their still weighty votes behind party leader Mr Tony Blair's efforts to defuse the pension issue.

With still half the voting strength in Labour's governing body, the unions remain a force to be reckoned with.

The constituency parties may account for the rest of the conference vote but as the pension debate indicated, they are less susceptible to the leadership's demand for loyalty than the much-derided trade union barons.

"At the last moment, when Tony Blair realised he faced trouble over pensions because the constituency delegates were unreliable, his advisers turned to us to help him out," said a senior union leader yesterday. "It was very much a case of Old Labour riding to the rescue, very much like old times."

In the debate, a number of prominent union leaders loyally backed the leadership from the rostrum. In the past the trade unions held 90 per cent of the conference vote. But now they have less power it may prove more difficult for Mr Blair to win every issue.

Yesterday's stirring events do not signify any return to the close, usually friendly alliance between the party and the trade unions that existed most of the time before Mr Blair was elected leader.

He may have said friendly words about revered union figures to the conference on Tuesday, but Mr Blair's only explicit reference to trade unions was to their 19th century past when they "began as an instrument against abuse in the workplace".

Relations between Mr Blair and the senior union leaders remain cool and formal and they seem likely to stay that way. But, at least until after the general election, an uneasy truce appears to have been signed.

Despite serious misgivings, most unions continue to express loyalty and this week in Blackpool they have gone out of their way to reassure and act as a force for stability. They may no longer be a praetorian guard for the Labour leadership but they are still ready to act as faithful supporters.

However, privately union leaders are already discussing how the future relationship with Labour will develop. Few want a complete breaking of the historic links. They fear the Americanisation of Labour, where the party could become dependent on wealthy supporters. The £6m ($9.36m) a year provided by the unions for the party's finances remains vital.

But most union leaders also accept it would be futile to pursue an option of fighting a rearguard action against further attempts to weaken tha party-union relationship. Nor do they really want to adopt a confrontational approach.

In spite of the pain, they are rethinking how the alliance should evolve in a rational way. The high emotions aroused by the Blair-inspired hints around the recent Trades Union Congress that the leader wanted to end the party's link have calmed. But the problem for the unions is how their ties with Labour can be further loosened without recrimination.

There is talk of downgrading the party conference and reducing trade union representation on the national executive committee. More important will be what kind of relationship the two sides envisage if and when Mr Blair walks through the door of No 10 Downing Street.

Yesterday in Blackpool, Mr John Monks, the TUC general secretary, called for a partnership with Labour based on "mutual respect". But even such a relationship, though a far cry from the social contract of the 1970s, is by no means guaranteed under New Labour and the union leaders know it.

Robert Taylor

UK NEWS DIGEST

MPs defend receipt of cash

The main opposition Labour party yesterday stepped up demands for an inquiry into the funding of political parties, as Members of Parliament defended their decision to accept payments from Mr Ian Greer, the political lobbyist, to fund their election campaigns.

The constituency parties of at least 24 past and present MPs accepted payments of between £500 ($780) and £5,000 ($7,800) from Mr Greer. Both the lobbyist and the recipients argued yesterday they had done nothing wrong. The revelations prompted Mr John Prescott, Labour's deputy leader, to repeat demands that Lord Nolan's committee on standards in public life should examine the issue of party funding. A number of MPs appeared on radio and television to explain that the money was paid towards election expenses and they did not receive the money personally.

The Conservative party has been badly hit by the latest wave of "sleaze" allegations, which were triggered by the collapse of the libel action brought by Mr Neil Hamilton MP against the Guardian newspaper, over allegations that he received cash from Mr Mohamed Fayed, owner of the Harrods store in London, for asking questions in the House of Commons. *George Parker*

Editorial comment, Page 13

■ HIGH COURT

Millionaire twins in privacy claim

Mr David and Mr Frederick Barclay, the multi-millionaire property and media investors, yesterday launched a High Court challenge to Britain's privacy laws.

Tha twin brothers, who live in a recently built £40m ($62m) castle on Brecqhou, their Channel island just off the coast of Sark, which is one of the islande between Britain and France, claim their privacy was invaded by a BBC television reporter in 1995 after they had refused an interview. Judgment was reserved until a later date. *Robert Rice*

■ CHANNEL TUNNEL

Tourist numbers on the increase

The Channel tunnel between England and France contributed to a 20 per cent increase in the number of continental Europeans visiting the UK in the seven months to the end of July, compared with the same period last year, according to Ms Virginia Bottomley, the national heritage secretary.

Britain was on track to beat last year's record 23.7m tourists, she said. More than 14.7m overseas visitors came to the UK in the year to the end of July and spent £6.8bn ($10.6bn). *Scheherazade Daneshkhu*

Eurotunnel, Page 17

■ ENVIRONMENT

Newspaper industry targeted

Mr John Gummer, the environment secretary, yesterday singled out the newspaper industry as the next target for his efforts to promote more recycling following this week's launch of a landfill tax. He told the Financial Times that he aimed to secure, by the end of this year, an agreement with publishers and paper makers setting targets for the use of recycled newsprint. Mr Gummer earlier told a gathering of the nation's waste disposal contractors that the landfill levy, Britain's first environmental tax, was part of a wider strategy. *Leyla Boulton*

■ WORKFORCE SURVEY

Low benefits costs help hoteliers

Britain's low social security costs give its hoteliers a huge advantage over other European countries, according to a survey of hotel labour costs shortly to be published by Horwath International, the hotel consultants.

Room service

	Payroll cost* %	Related expenses* %	Total* %
France	[illegible]	[illegible]	[illegible]
Spain	27.6	12.4	40.0
[illegible]	[illegible]	[illegible]	[illegible]
Germany	26.5	10.6	37.2
[illegible]	[illegible]	[illegible]	[illegible]
Portugal	22.4	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
UK	20.8	7.5	28.4

* as % of 1995 revenue. Source: Horwath Worldwide Study

Labour costs include wages and related expenses, such as staff meals, accommodation and staff uniforms. But social security costs are by far the largest payroll-related expense, according to Mr Jonathan Bodlender, chairman of Horwath Consulting, Europe. The cost in the UK of wages and related expenses amounted to 28.4 per cent of hotel revenue last year, according to the survey, well below the high of 43.4 per cent in Austria and 42.1 per cent in France. *Scheherazade Daneshkhu*

■ OFFICIAL RESERVES

Figures fall by underlying $113m

The government's official reserves of gold and foreign currency fell by an underlying $113m in September, according to figures released yesterday by the Treasury. The overall level of official reserves fell $3.9bn, the biggest headline fall since January. But this was exaggerated by repayments of a government floating rate note, which came to $3.9bn. *Graham Bowley*

Union negotiates massive increases with private rail operators

'Dream' deals for train drivers

By Robert Taylor, Employment Editor

Aslef, the train drivers' union, is quietly negotiating the kind of wage deals for its members in privatised railway operating companies that it could only dream about when the national network was state-owned.

Wage restructuring has produced massive increases in guaranteed weekly earnings for drivers, as supplements and overtime payments are consolidated into what were once low basic wage rates. Pay levels of £11,800 ($18,408) a year under British Rail have jumped to between £22,000 and £28,000.

So far, pay settlements have been signed with Eurostar; East Coast mainline; Great Western; Central Railways; and Freight Liners.

The deals have also produced commitments to cut the working week to 37 hours, holidays of five and six weeks compared with the original basic four weeks and three days, and more flexibla and longer rest periods.

In return, Aslef has agreed to changes in working practices, the end of overtime working and improvements in productivity. But the union has also insisted there should be no compulsory redundancies.

"We are pragmatists," said Mr Lew Adams, Aslef general secretary, yesterday. "The union recognised the fragmentation of the railway industry has ensured none of the companies have a pool of drivers available to them in the case of a threat of industrial conflict."

Freed from the constraints of a state-run railway, the union can bargain freely with individual companies and maximise their strength by setting benchmark deals and then pressing them on everybody else.

"In the past, British Rail used to insist on the lowest common denominator when it negotiated with us to ensure any deal could cover all the drivers in different circumstances," said Mr Adams. In 1991, Aslef tried to negotiate a comprehensive deal with BR but failed to find much interest in a management hemmed in by government-imposed financial constraints.

But Mr Adams insists: "We are not going to abuse the new strength we have. We are insisting on fair and reasonable terms with the companies. Our aim is to provida a good service to the travelling public and allow the operating companies to function profitably."

So far, referendum ballots have produced huge majorities in favour of the negotiated deals.

But RMT transport union officials express private doubts about Aslef's position. They believe Mr Adams and his executive are so keen to strike deals with private operators that they are unwilling to fight change.

He responds to such suggestions with a wry smile. His union refused to back a militant motion at the Labour conference yesterday calling for the return of the entire railway industry to state ownership. "We would have preferred to see railways remain in the state sector but we will not desert our members," said Mr Adams. "It was John Prescott – deputy leader of the opposition Labour party – who pressed for public-private partnerships on the railways. We favour this too."

هكذا من الأصل

As campaigners step up pressure on UK retail groups to ensure that overseas suppliers meet basic workplace standards, **Jenny Luesby and William Lewis** report that rising concern about ethical issues could cause a shake-up in the UK's own clothing manufacturing sector. In Birmingham, thousands of workers suffer pay and conditions not normally associated with a developed economy. The factories are squalid. Workers earn less than £2 an hour for a 50-hour week. Yet some of the UK's best-known high-street retail chains buy clothes from these manufacturers, even though they appear to break their own guidelines.

■ THE RETAILERS

Rag trade probes work practices

Six of tha UK's best-known retail groups have pledged to investigate working conditions and pay for staff at Birmingham companiea which manufacture clothes for them.

C&A, the Dutch retail group, Next, John Lewis, Great Universal Stores, Mackays, a Scottish retail chain, and Primark, a division of Associated British Foods, all said this week that they would be looking into employees' claims about low pay and poor work conditions.

C&A, a privately owned group with 119 stores in the UK, yesterday sent Brussels-based business standards auditors to K Fashions and Amber, two Birmingham clothing suppliers.

Reporters visiting the companies' factories found workers employed under conditions which appeared to breach the group's recently expanded code of conduct for dealing with suppliers.

C&A investigators confirm that both companies had mada clothes for the group as sub-contractors, but say Amber has not done so this year, and will be receiving no further work for the company.

At K Fashions, the C&A team found the fire exit locked and part of the factory so crowded it represented a fire risk. However, the auditors were told workers were being paid between £2.72 and £3.60 an hour, which the retail group says it regards as "satisfactory". C&A saya it requires suppliers to pay wages in line with local norms and to have due regard for health and safety.

Workers from the companies visited by the FT claim they are being paid between £1 and £3 an hour, compared with average hourly earnings for female manual clothing industry workers in the UK of more than £4 an hour.

Some of the factories also appeared to fall short of health and safety standards, particularly those relating to fire risks, workplace temperature, air quality and cleanliness.

In May, Oxfam launched a public campaign calling on high-street retailers to ensure minimum workplace standerds among their suppliers. The charity targeted C&A, Burton, Marks and Spencer, Next and Sears, all of whicb have subsequeotly received thousands of letters from consumers.

"C&A has taken the lead in poblicly committing to do something about these abuses," says Oxfam. Next and Sears have also now pledged to ect to improve conditions. The companies admit that pressure from campaigning groups has forced them to re-examine their policies.

Similar campaigns in the US have prompted companies such as Levi Strauss and The Gap to make sweeping changes to their manufacturing practices. Disney, the merchandising brand for Walt Disney, is currently facing a wave of criticism for its use of low-paid labour outside the US.

The impact is likely to be no less significant in the UK. In a recent joint study, Kurt Salmoo and Harris International Marketing found consumers ranked ethical issues with value for mooey when buying clothes.

Labour conditions were ideotified as the top ethical issue for the sector. However, while consumer concern bas focused on production in developing countries, moves by retailers to monitor suppliers could affect bundreds of small UK manufacturers.

The C&A code published in May includes requirements that:

■ Suppliers must ensure all manufacturing processes are carried out with "proper and adequate regard for the health and safety of tbose involved".

■ Wages and benefits must be fully comparable with local norms, must comply with local laws and "must conform witb the general principle of fair and hooest dealings".

C&A says it asks suppliers to disclose "all facts and circumstances coocerning productions, use of sub-contractors and tbe use of other third parties".

It makes poteotial suppliers accept the code as a contractual obligation before buying merchandise from them. If the suppliers are found to have broken the code, C&A says it terminates their contracts.

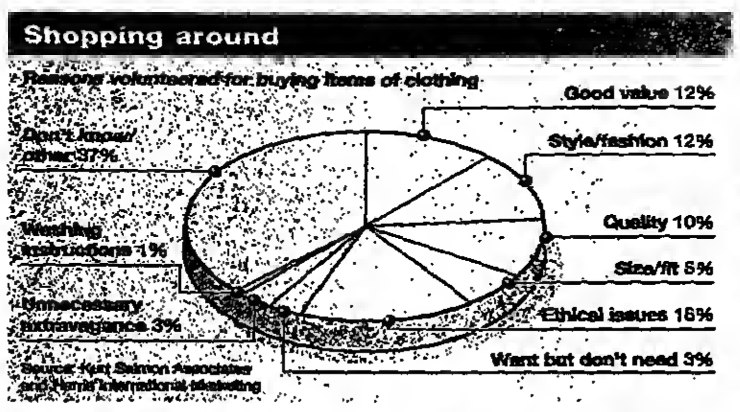
The group has set up a Belgium-registered company, Socam, to monitor the "business standards" of its suppliers.

Next has so far said only that it "operates a policy that it does not deal with suppliers who knowingly compromise the safety of their workforce hy failing to ensure that tbeir factories are safe, use child labour or fail to take care in tbeir production methods". This policy has been sent to all its suppliers worldwide and further action will follow, it says.

Other companies, not on the Oxfam target list, are also concerned about the issue. Many retailers using low-wage clothing manufacturers are uneware of the fact, the links being obscured by a chain of sub-cootracting.

Mr Ted Palucbowski, one of two buying directors for Mackeys, says it commissions clothes from UK-based designers, who subcontract the manufacturing. "But we certainly do not knowingly allow them to place orders with companies like Amber [a Birmingbam clothing manufacturer in the low-pay sector]," he says. Tha group this week pledged a full and rapid investigation, as well as a review of its buying operation.

Shopping around



Surjit Doal, owner of Stanley Fashions, describes competitors who cannot make margins of between 25% and 30% as "idiots"

■ THE MANUFACTURERS

Competition is blamed for sweated labour

Mr Arvinder Sekhon is managing director of a company that cuts, makes and trims blouses. He supplies clothing, usually through wholesalers, to Primark, Great Universal Stores and other high-street retailers.

Mr Sekhon's staff say they earn about £80 for a 50-hour week. For some, the absence of payslips or P60s means they are not officially recognised as employees. They describe their working conditions as appalling and say their factory is rat-infested.

Mr Sekhon's company is not alone. Managers of seven clothing companies in Birmingham also confirmed long hours and low rates of pay.

Working conditions were, in some cases, even worse than at Mr Sekhon's company, yet all supply well-known shops, including one with a code of conduct which should prevent it from dealing with such companies.

Mr Sekhon and managers of the other manufacturers blame intensive competition in the industry for the poor pay and conditions.

Standing on the shop floor of a run-down industrial unit in Handsworth, Mr Sekhon holds up a blouse and says he was offered £1.50 to make it. "Everybody is undercutting. The wholesaler comes to us and says: 'If you do not want to do it at that price, it is going out of the country'." Mr Sekhon, like most other managers interviewed, said a minimum wage would probably put him out of business.

Mr Sekhon's company does not design the clothes which it manufactures and passes on to a wholesaler. His aim is to secure a 10 per cent profit margin by converting rolls of fabric into finished goods.

The recent history of Amber, the company which Mr Sekhon says he owns, shows the precarious life of clothing manufacturers. Until recently, Amber was called Aptek and before that, Relven, a name which ended with the liquidation of the business.

In Smethwick, Mr Tarlok Kalsi, managing director of K Fashions, which he says manufactures exclusively for C&A, also points to pressure from retailers to justify the poor working conditions.

K Fashions' factory is stiflingly hot, because of the irons used in the manufacturing process. Staff work in cramped conditions from 8am until 6.30pm during the week and from 8am until 12.30pm on Saturday.

Mr Kalsi says C&A is keeping him so busy he is unable to take work from any other retailer. Some of the blouses are sold in the UK, but a large proportion are sold in C&A's stores in Spain, Italy, Austria and Denmark. Mr Kalsi adds that he cannot afford to move to larger premises or pay a minimum wage without getting more for a blouse.

Simply the Best, a blouse manufacturer in Birmingham city centre, is planning to move to better premises. But Mrs Kashyap, the manager, describes business as "a hard slog".

The company relies heavily on homeworkers, but despite the flexibility this offers it was forced to lay off its factory workers for several weeks this year.

Mrs Kashyap blames competition from manufacturers in India and other developing countries. She says the company used to do work for River Island, the high-street clothing chain, but those contracts had been awarded to companies based overseas. Simply the Best now works exclusively for Jeffrey Rogers, another high-street chain, which acts as both retailer and wholesaler.

Mr Surjit Doal, owner of Stanley Fashions in Smethwick, says better margins are possible if manufacturers concentrate on exports. He criticises competitors which cannot make margins of 25 to 30 per ceot in the clothing business as "idiots". Stanley Fashions pays less than £2 an hour.

But some manufacturers are thriving as suppliers of British chains. Bugsy Babywear of West Bromwich specialises in childrenswear. It is a reputable supplier, and one that gives its staff P60s, although its working hours and pay rates are similar to the other manufacturers in the sector.

The company's customers are concerned with the quality of clothing, oot working conditions, says Mr Tooy Burdett, general manager. "They are oot interested and oot involved at all with what we pay our employees."

■ THE GOVERNMENT

Health rules flouted as city puts jobs first

Employment regulations are being widely flouted in Birmingham's clothing industry as officials, aware of employment created in the sector, hesitate to act.

While city council and Department of Trade and Industry projects seek to keep the industry going, legislation on pay and working conditions is going unenforced.

"We see all the worst effects of the deregulation of the labour market," says Mrs Baljit Bassati of Aekta, the UK's only employment rights agency for the textiles industry, funded by Birmingham City Council. "The clothing industry always had the worst labour conditions. Deregulation has only made things worse," she says, citing in particular the ending of wage councils in 1993 and the shift of responsibility for statutory sick pay to employers.

Mrs Bassati says the relaxation of regulations has affected all statutory rights, including wage slips, contracts of employment, redundancy, notice and maternity leave, as well as general conditions, such as low pay, long hours and hygiene. On the health side, the Health and Safety Executive employs just two inspectors to monitor the West Midlands' textiles, paper and board, printing, plastics, footwear, leather and rubber industries.

Birmingham City Council this year identified 319 clothing companies in central Birmingham, with many more in neighbouring boroughs, such as Sandwell.

Mr Graham Walker, based in Nottingham, oversees HSE inspections of West Midlands clothing companies. He says the main reason so many companies fall through the net is because they do not notify the HSE of their existence.

"Companies are required to give notification of their occupation. Once they are known to us, there is a system of rating, based on historical experience, which determines how often we go into the field.

"I could not evan begin to guess how many we do not know about. If they do not notify, we have to rely on other sources." He cannot say whether the 319 companies found by the council in inner Birmingham have been visited by the HSE.

At the level of corporate law, the sector is similar to the building trade, marked out by frequent liquidations and multiple corporate identities. "Typically, textile companies come and go very quickly," says Mr Walker. "Even if we do know about them, they may disappear. It is a very difficult sector to keep track of."

Tax evasion also appears to be commonplace. According to Aekta, many workers do not receive payslips, let alone P60 forms summarising their annual contributions.

Where national insurance contributions are deducted they are often not credited, says Mrs Surinder Kaur, also of Aekta. "Employees only find out when they have lost jobs and cannot get unemployment benefit, or do not qualify for a pension."

The agency also points to a sharp rise in the number of problems with statutory sick pay since this became the responsibility of employers. "People are frightened about taking on their employers," says Mrs Bassati. "Most employment legislation places the burden of proof on the employee, and without wage slips most of these workers cannot even prove they are employees," she says.

With the majority of the West Midlands' clothing producers, involved in low-cost manufacturing without the added value of designing or retailing the clothes, many feel threatened by competition from developing countries.

"Experience shows where traditional industries are abandoned, even the most vigorous efforts to create an alternative base cannot, in the short term, replace the lost jobs," says the council.

For this reason, it has launched a plan to improve the sector's image, marketing, design capabilities and access to retailers. On November 5, in an initiative backed by the DTI, 32 local clothing manufacturers will spend a day with the UK's leading retailers, with the intention of forging permanent links.

The council hopes that by helping the sector improve business it may encourage statutory compliance, but it is yet to add a stick to the carrot.

Labour costs compared

	$ per hour
Germany - west	20.35
[illegible]	16.41
France	16.33
[illegible]	[illegible]
USA	9.62
Spain	7.78
Birmingham low-pay sector*	[illegible]
Tunisia	1.76
Hungary	[illegible]
Turkey	1.52
Philippines	0.72
India	0.29
China	0.25

1995 figures. Source: Werner Int. except * estimate

Workers at K Fashions producing clothing for C&A stores

Photographs: Joel Chant

■ THE WORKERS

Poverty wages drive workers to despair

Akhbar desperately wants to lose his job. He says he is good et his work, cutting pattern pieces for jackets, but he cannot stand the low pay.

In common with many workers in the low-pay sector of the clothing trade, he would receive more on social security, but cannot qualify unless he is sacked.

Akhbar's story is typical of many workers who allege they are being exploited by clothing manufacturers. He is in his mid-30s, earnest and law-abiding, but, like others interviewed at a location kept secret from their bosses, he fears harassment if his real name is disclosed.

He earns £100 a week gross – £93 net – working from 9am until 6pm. Housing, electricity and gas bills account for more than 60 per cent of his wages, and on top he has to pay council tax.

In April, Birmingham city council seot him a bill for £604. "I do not know how to pay it," John says. "I have asked my boss to lay me off – with two children I would get £156 a week on social security, and the council tax and mortgage would be free. But he won't do it."

Tugging papers from his inside pocket, Akhbar produces copies of application forms to long-established companies with better working conditions, which he says pay £5 an hour. He cannot get an interview. Other employers in the sector have offered him work, but never for more than £2.75 an hour "and the conditions are worse than where I am. At least we have a toilet".

After 17 years in the job, Akhbar gets a better deal than his workmates. He says they typically work from 8am to 8pm on weekdays and 8am to 4pm oo Saturday. Many are illegal immigrants earning £75 to £80 a week.

Akhbar says they receive no pay for bank holidays and, although his company promises two weeks paid holiday a year, these are often cancelled without compensation, through pressure of work.

Radha, who also asked for her identity to be kept secret, is a machinist for a jecket manufacturer. She arrived weeping at the interview after a row with her employer, who she said hed deducted the equivalent of two hours work from her piece rate, the amount paid for each garment.

She says it is not unusual for the piece rate to be cut. When the company began making jeckets four years ago, machinists were paid 45p to make the outer body of each one. Initially, they made 30 to 40 jackets a day, generating a weekly wage of around £80.

"But as we got used to the work, we began to get faster," she said. "In the end, we were working flat out and managing to produce nearly 70 jeckets a dey" – equivalent to a gross weekly wage of up to £150. "So they cut the piece rate by 5p, to 40p."

Kamal, who works for Bugsy Babywear, a childrenswear manufacturer, says her company has not increased its piece rates for a decade. She says she earns less than £100 a week, works from 8am until 5.30pm, and is paid 5p for overstitching a baby's suit, unless it has full-length sleeves, in which case she get 6.5p.

Workers at other West Midlands clothing companies complain that they are not provided with proper payslips, overtime rates for extra hours, or sick pay. Several describe their working conditions as filthy and say they are subject to harassment in the workplace and in their homes.

Akhbar, who like almost all the workers and employers in the sector is of Asian origin, says: "Asian workers are suffering both ways. Their own community is exploiting them, and elsewhere they face discrimination."

The worst cases of all are the home-workers on whom most of tha clothing sector depends.

Shanti, not her real name, makes linings for coats and jackets, sometimes for C&A. She gets paid 14p for each one. "If I am working hard, I can make 25 to 30 in two hours, but that would be working continuously. It never happens that way." If it did, it would generate a wage of between £1.75 and £2.10 an hour.

Nasneen, another homeworker, has made the outer body of coats and jackets for 55p a piece, but says she prefers putting the pockets in. She is paid 30p to make two pocket flaps, fit them and put in three pockets. If she worked for one hour and 15 minutes, she could make 10 sets – equivalent to £2.40 an hour, but such intensive work is impossible.

A Birmingham blouse

	£
Cost of fabric	6.00
Manufacturing labour and overheads	3.50
Retailer's mark-up: *warehousing, distribution, retail rent, overheads, theft, personnel, mark-downs*	27.49
Price to consumer	36.99

Take-off for servers

Last year air traffic controllers at the London Area and Terminal Control Centre in West Draytoo handled 1.5m flights, 6 per cent more than the previous year. Now, with growth projected to continue a £350m New En Route Centre is being built on the south coast of England, between Southampton and Portsmouth.

The new facility will take flight data from nine radar installations around the country. When it goes live at the end of next year, it will be the world's biggest and most advanced air traffic control centre.

It will also be the first to use a distributed client/server computer architecture rather than a conventiooal mainframe. "The Civil Aviation Authority had three mandatory requirements: total fault tolerance, performance and growth potential," says Ron Zobrist, testing director with Lockheed Martin, the prime contractor for the £150m system. "By using Risc (reduced instruction set computing) processors to drive the cootrollers' workstations and then linking them on a multiple, bridged Tokeo Ring local area network, there is not only oo single point of failure; we can also build in automatic failure recovery using alternative or hot standby processors."

To fully test the complex software, more than 2m lines of software code – including a new user interface – have been written for 23 different software subsystems. "When it came to generating the major test scripts needed to manipulate the software and then, in the abseoce of air traffic controllers, run simulations of all the different software systems, we needed a high degree of automation," says Richard Willmott, test tools team leader.

Willmott chose XRunner, an automated testing tool built by Israeli-based Mercury Interactive, for the task.

Paul Taylor

BEHIND THE NET

The Internet is just a buzz word for most people, with the majority of households lacking a personal computer and modem. But several big European, US and Japanese electronics companies hope to bring the Internet to millions of people through the TV set.

They plan to introdnce WebTVs and special set-top boxes that allow existing TVs to access the Internet.

WebTVs are generally described as 21in to 35in screen TVs that include a modem, a microprocessor, special graphics and text display chips, and Internet software that allows people to browse Web sites and exchange e-mail.

Several leading WebTV ventures have been announced this year. Mitsubishi Electric is to introduce WebTVs in Japan later this year, with introductions planned for foreign markets early oext year if consumers show demand.

Other Japanese and Korean electronics companies, including Hitachi, JVC, Samsung, Sanyo and Sharp, will follow with similar WebTV sets later this year. Meanwhile, Sony has teamed up with Philips Consumer Electronics to introduce what the Dutch group will call the Philips Magnavox WebTV in the US and European markets later this year.

"Our consumer research shows there are 40m households just waiting for the Philips Magnavox WebTV. We expect this to be one of the hottest consumer electronics products during the busy [Christmas] holiday shopping season," says Philips.

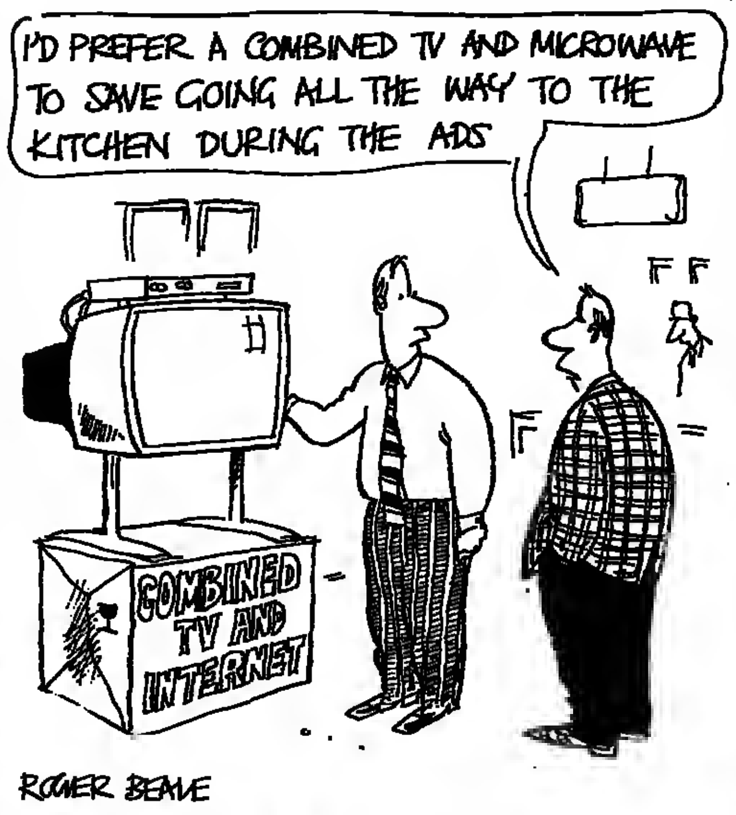
The Philips WebTV product features a fast 32-bit microprocessor, a 33.6 kilobits per second modem that can support both data and voice communications, CD-quality audio output, 2MB of memory and software stored on read-only memory chips. It will have additional features such as a smart card reader for electronic payment when shopping, an enhanced remote control for Internet navigating and a wireless keyboard.

WebTVs are a hybrid product, combining a personal computer and a conventional TV set. The main challenges are: finding a way to display text clearly on a TV screen which has a fuzzy resolution compared with a computer monitor; cramming the Internet software into special read-only memory chips; providing, or arranging to provide, an Internet connection.

Solving these challenges has led to most WebTV manufacturers licensing key technologies from companies whose products have special versions of Internet software that take up less memory and can be more easily contained in read-only memory chips.

Tom Foremski browses through the Internet-TV hybrids aimed at creating a new market of users

Surfing on the box



The Sony/Philips venture, for example, is using technology developed by WebTV Networks. This US start-up company has developed technologies that will make the display of Web site pages easier to view on a TV, including support for Japanese Kanji characters. Other companies with similar technologies include the Japanese company Access, US-based Diba, and Spyglass with its Internet software.

WebTV Networks and Diba also plan to offer small boxes that can be plugged into TVs and offer many of the same capabilities as those found in WebTVs.

WebTV Networks estimates that it will be possible to produce a low-priced Internet connection box costing $150 to $350 in the US that can be connected to an existing TV. In addition, it plans to offer Internet services such as e-mail, and the Internet connection to WebTV customers.

"From a technology standpoint WebTV [Networks] seems to have answered what consumers will want from a browsing box. It works, and the partners they have in the wings have tremendous clout with consumers and the right distribution channels," says Ross Scott Rubin, an analyst at US market research firm Jupiter Communications.

WebTV Networks and Diba is taking a similar approach to WebTV Networks and has won its own set of supporters. Zenith Electronics, the US TV maker, says its NetVision WebTV sets will feature Diba's technology.

Farid Dibachi, chairman and co-founder of Diba, believes that Internet access can be built into a wide range of different types of electronic devices. "You don't need to be a computer jockey to take advantage of the tremendous wealth of valuable information available on the electronic superhighway, if you have the right tools," says Dibachi. "Net-Vision will allow consumers for the first time to experience the Web without the expense or complexity of a PC."

Some analysts are enthusiastic about the market prospects for WebTVs. Envisioneering Group, tha US market research firm, estimates that im WebTVs will be sold in the first year of introduction and that by 2001 about one third of the TVs in US homes will have Web access capabilities.

Frost & Sullivan, another US market research firm, believes that the market for what it calls PC-TVs will reach $26bn in 2001, and a significant part of that market will include WebTVs.

But the road to selling millions of WebTVs will not be a smooth one and WebTV manufacturers will have to consider many factors. WebTV prices will be much higher than for regular TVs, so they will have to be aimed at more affluent customers. It is precisely this market segment that is more than likely to own a PC and modem and have Internet access already.

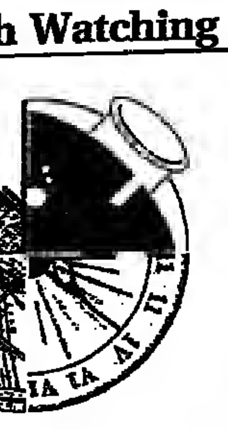
With Internet software changing every few months, WebTVs that cannot be upgraded easily will leave many customers dissatisfied. And since a majority of TV watchers are not PC users – who would know how to install software – upgrading the WebTV's software would have to be done automatically via the Internet. Manufacturers must therefore provide an Internet-based service that will perform this chore.

Mixing what is in essence a PC function – browsing the Web – with passive TV watching is a problem in itself.

Most people sit 9ft to 12ft from a TV, making it difficult to read the text of a Web page unless it is enlarged, which means reformatting the page or endless scrolling to the right, and down, to view the entire page.

It all amounts to a confusing array of new TV products and services. Consumers generally stay away from such new product categories until there are a set of simpler choices.

Worth Watching · Vanessa Houlder



A quick reader

Researchers working on digital video discs that can play videos and detailed computer software are racing to develop a new generation of lasers. That is because the discs are "read" by lasers which need ever shorter wavelengths if they are to play back the massive amounts of data stored on the discs.

Toshiba believes it has come closer to this goal by developing a semiconductor laser, based on extremely thin layers of gallium nitride compound crystals, that emits a pulsed laser beam with a wavelength of 417 nanometres.

That wavelength would be sufficient to read a single-sided disc with 15 gigabytes of data. By contrast, the current generation of digital video discs contain 4.7 gigabytes of data and use a laser with a 650 nanometre wavelength.

Toshiba: Japan: tel 334572105; fax 334564776.

Cellophane's clear potential

Cellophane, the clear, rustling material used to wrap chocolates, cigarettes and flowers since the 1930s, has lost ground to less expensive plastics. But German researchers have developed a cheaper, more environmentally-friendly manufacturing technique which they think could revive its prospects.

The technique, devised by the Fraunhofer Institute for Applied Polymer Research, involves dissolving the cellulose and blowing it like a bubble – a process that allows its strength and elasticity to be controlled precisely.

The advantages of this cellulose film are that it is just a few microns thick, biodegradable, resistant to tearing, impermeable and easy to seal.

Fraunhofer Institute for Applied Polymer Research: Germany, tel 332846300; fax 332846317.

Why aerospace tangs may go

The technique used to strengthen joins in castings and components in the aerospace, transport and engineering industries could be significantly simplified and speeded up using a newly designed device.

Traditionally, the "threaded inserts" that are used to strengthen holes at joins have been driven in with the help of a "tang", or metal attachment that has to be broken off and removed after the installation.

Researchers in Japan have developed an alternative approach to twisting the inserts into the holes, using a tool that locks on to a notch carved at the top of the insert.

Kato Precision, which makes the inserts in the UK, says that the new design could halve the cost of installing inserts by eliminating the need to locate and remove broken tangs.

Kato Precision (UK): tel (0)1698 815555; fax (0)1698 815224.

Where we're at

A personal navigation device is set to be launched next spring that can pin-point an individual's exact position on any map.

The map plotting device is designed to be used in conjuction with a hand-held global positioning system that provides data on the user's latitude and longitude. The mouse-like device has indicator lights that help the user guide the device to the right position on the map.

Yeoman intends the accessory, which is a lighter, cheaper version of a system currently used in yachts, to cost about £150. It expects it to be popular in sports that cover large distances, such as hunting, ballooning and skidoo riding.

Yeoman: UK, (0)1590 679777; fax (0)1590 671717.

هكذا من الأصل

ARTS

Cinema/Nigel Andrews

Triumph from disaster

JUDE
Michael Winterbottom

THE NUTTY PROFESSOR
Tom Shadyac

COURAGE UNDER FIRE
Edward Zwick

TOUCH OF EVIL
Orson Welles

LETTERS FROM THE EAST
Andrew Grieve

English cinema is still selling off the family art treasures. With the major *oeuvre* of E.M. Forster already fallen under the clapperboard and Jane Austen going, going, almost gone, this week sees Thomas Hardy brought into the auction room.

Here is a different selling challenge altogether. You cannot commend Hardy for his prettiness or filigree humour. Disasters take place under crunching skies in a corner of the English countryside that is forever Tragic Irony.

Michael Winterbottom's powerful, wonderfully photographed *Jude* makes only the smallest attempt to sweeten the pill. It takes "The Obscure" out of Hardy's title – not an encouraging box office adjective – and removes the clangier symbolism from the story. So no name-dropping of classical texts, as Hardy did to lend heraldic resonance to the story of the young university-dreaming farmer who struggles from Wessex soil to Oxbridge spires. And, a little more regrettably, the hero and heroine's adopted son is no longer nicknamed "Father Time" for his mixture of pint-pot precocity and grim-reaper menace.

The son precipitates the story's worst shock of all, which must remain unspecified for those who don't know or remember the book. (At the Cannes showing the whola audience gasped in horror.) If *Jude* aimplifies tha story, it never emasculates it. Stuart Dryhurgh's photography begins grim – low, lurid sunlight raking a crow-dotted ploughed field – and gets grimmer. Christopher Eccleston's Jnde has a medieval death-mask face, lit hy pinprick ayes and awful flickers of hope. And Winterhottom gets down in the mire to film such dear rural habits as slaughtering pigs with a hlunt knife and hreaking the necks of trapped rabbits. Don't bring Aunt Edna tha animal preservationist.

It could have ended up at an opposite parodic pole to Forster/Austen: *Cold Comfort Farm* at the movies. But English heritage cinema has another unsold, or unexhausted, treasura tn Kate Winslat. Fresh from *Sense And Sensibility* she brings a quick, tart intelligence and vulnerahle heauty to Sue Bridehead. As the hook-learned cousin for whom Jude drops his straw-chewing first wife Arabella, she is perfect: at once bright and brittle, numinous and nervy.

For Hardy this relationship has curses all over it like sticking plasters. It is semi-incestuous; faithless to Jude's peasant origins; tainted with progressive thinking. (The book half-admires, half-recoils from Sue's hossy modernism.) *Jude*'s screenwriter Hossein Amini, faced with the problem that what seemed modern in the 1890s won't now, takes a deep breath and hungs in some 1990s anachronisms. "You're heing rather confrontational," jargonises Sue. "And later, "I'm intellectualising, aren't I?"

It works. Better an irritated audience than one sedated by period propriety. Other surprises are thrown in to increase sonic or visual disorientation. A cinema-prefiguring magic lantern show at a fairground (Hardy's novel was published in the very year now regarded as the hirth date of movies, 1895); and a deal of train noise to show we are in an age which seemed as industrially noisy to *its* denizens as ours does to us.

So when the door opens on the nightmare tableau of the climax, our own nerves have been as softened up as the characters'. The skies have become darker and hleaker, without ever diminishing the light they shed on the souls beneath, as they struggle with their private heavens and hells. And give or take some overuse of Bach and cod-Bach on the soundtrack and some odd casting (June Whitfield as Aunt Drusilla?), Hardy, looking down on the movie from his own stern clouds, would surely approve.

★

"It's a comeback!" cries the film world every year or two, as Altman, Travolta or some other fallen icon rises from wbat seemed irrecoverahle oblivion. Now they are saying it about Eddie Murphy, lete of *Beverly Hills Cop* hut later still of *Harlem Nights*, *Vompire In Brooklyn* and other excruciations.

The Nutty Professor is currently luhricating turnstiles across America with its reworking of the 1963 Jerry Lewis comedy about a Jekyll-Hyde schoolteacher. Murphy plays Sherman Klump, by day a jowly 300-pounder struck by love for a pretty colleague (Jada Pinkett), hy night – or after imhibing his hamster-tested wonder drug – a slim, spruce Murphy lookalike. On top of these roles, the star plays five others, including Klump's entire family who seem permanently grafted to their noisy dinner table. (Flatulence is a speciality, along with some stridently inaudible comic dialogue.)

It is obviously a riot in the US. But to whom are audiences actually flocking, Eddie Murphy or Eddie Morphy? The computer transformation or "morphing" effects are far more entertaining than the script or the star's loud, grinning-idiot performance. As in *The Mask*, reality becomes seamlessly surreal as bits of the hero's hody rebel against other bits – here a giant lower lip, there a suddenly ballooning bottom – and we gasp so frequently that we forget we are not actually laughing.

In *Courage Under Fire* Hollywood has caught up with the Gulf War. But the Gulf War bas oot quite caught up with Hollywood. The opening friendly fire incident on the Saudi-Kuwait border in which Colonel Denzel Washington mistakenly hlows up a US tank, proves prelude to two hours of all too cliché'd post-war agonising.

Washington, exculpated hut still troubled, is deputed to investigate another military can of worms: is the war-slain Meg Ryan, who died to save e platoon in a separate fracas, worthy to be the first woman to receive a Medal of Honour? Or is there in her story too more than meets our eye, mainly through a series of Scud flashbacks that sear into the talky present-day scenes.

As Washington conducts his *Rashomon*-style interviews with Ryan's disagreeing ex-comrades, we are clearly into a movie about Truth, Honour and all those upper-case abstractions so heloved of the TV movies which this one resembles. Though not hased on a true story, *Courage Under Fire* has the smug portentousness of films that are. And we are left feeling uneasy that a real war, with real, complex and glohal reverberations, has been reduced to a glih trigger mechanism for *déjà vu* American self-examinings.

★

Revival Corner this week welcomes *Touch Of Evil*. Orson Welles's 1958 mini-classic gives us chiaroscuro and crazy make-up io Mexico, as Charlton Hestou in hrown-face, Marlene Dietrich in gypsy drag and Welles in false nose and extra body-padding – can we imagine a time when he needed it? – play upright cop, fortune teller and corrupt cop. Studio-butchered in the 1950s, the film was "restored" in 1975 and became recognised, if not as a masterpiece, at least as a wild and wondrous footnote to Welles's career.

Letters From The Eost, showing in the National Film Theatre's Baltic Festival, is honourable but boring. Come to Estonia with returning ex-pat Anna (*Fanny And Alexonder's* Ewa Frohling) as she seeks her lost Mum, her lost childhood and her roots in a now identity-endangered land. Or then again, if you like movies that move rather than sermonise at snail's pace, don't.

A corner of the English countryside that is forever Tragic Irony: Kate Winslet and Christopher Eccleston in 'Jude'

Theatre

A furious portrait of society

Since tbe Royal Court Theatre heralded its temporary residence in the West End with adverts proclaiming, "there goes the neighbourhood", a hit of roguish programming was on the cards. And sure enough, the theatre lives up to its naughty image by hosting the premiere of a new play (co-prodnced with Out of Joint) whose titla alone, *Shopping ond Fucking*, invites ontrage. Still, given the content, there can be no complaints that the title raises false expectations – although "Shocking and Swearing" might do as well.

If yon want to be shocked, there are plenty of opportunities. Any outcry is pre-empted, however, hy a page in the programme about "Society, Violence and the Theatre" quoting Kenneth Tynan, among others: "Unless we can use the theatre as a platform on wbicb to demonstrate the serious prohlems of today, particularly violence, we feel that we are not serving a useful purpose in society."

And, as with *Blasted* and *Trainspotting*, this new play takes violent and sordid encounters and hurls them onto the stage to make the point that portraying such things is not really shocking: wbet is really shocking is the corrupt society that permits such waste of life. Mark Ravenhill's play is a moral fable.

He offers a curdled picture of e world where everything is disposebie and all relatioosbips are "transactions". He focuses on three flat-mates who beve an education hnt no joh prospects. Mark (James Kennedy) is an junkie, Luln (Kate Ashfield) an oot-of-work actress and Robbie (Andrew Clover) a pretty-boy passenger. When Lulu goes for a joh, she and Robbie become entangled in a murky, drng-dealing world, while Mark's efforts to cure his addictions involve him witb an abused 14-year-old rent boy. Everything has a price, tbey learn, and money is the root of all evil.

It is e bleak dysfunctional world, spliced together in Max Stafford-Clark's production with ear-splitting mosic and garish fluorescent signs denoting cbange of scene. The rhythm is clnh culture; the mood soulless: style is everything.

Spiced with dark wit, the play works effectively as a furious portrait of an undervalued, value-less generation, but whether it achieves much more is debatahle. It certainly "demonstrates some of the serious problems of today", hut "demonstrate" is all it does. None of the characters has any depth – although Kate Ashfield does a lot with the twitchy Luln – and the plot is unconvincing. The play's impact is as short-lived as the pre-packed, throwaway meals on which the characters survive.

Sarah Hemming

Royal Court at the Ambassadors, London WC2 (0171-565 5000) to October 19, then on tour.

Opera/Richard Fairman

'Ring' with a split personality

Deeply moving: John Tomlinson's Wotan

It is hard to forget how Bernard Haitink's face fell as he saw the designs for this new *Ring* being unveiled during the Royal Opera House documentary earlier in the year. "Cut the car", suggested somebody to the producer gently later, tactfully trying to smooth things over.

Unfortunately, that plea fell on deaf ears at Covent Garden. The 1950s two-door saloon still rolls on at the beginning of the second act of *Die Walküre*. Some changes have been made to the production of this opera for the completion of this cycle, including revised sets for the second and third acts, but the salient points that upset people before are still in place. After all, getting rid of them would be tantamount to admitting defeat.

The real problem, it seems to me, is a complete mismatch between the producer and the conductor. There is Richard Jones putting two fingers up to Wagnerian tradition on stage, while Haitink down in the pit is doing his best to keep the tradition going, the last person to admit any irony or post-modern slant to the music. Nowhere today is there another conductor who can make Wagner sound as supremely natural and unforced as he can.

It is almost bizarre to listen to Haitink's quietly grandiloquent unfolding of the "Todesverkündigung" scene and then look up at the stage to see Brünnhilde emerging from a roadside Portakabin (where Siegmund is later murdered in a confused piece of stage mismanagement). What a relief that his glorious conducting of the final scene is allowed to emerge unscathed.

That, however, is to jump ahead. The performance had not begun well; in fact the first act was one of the most dispiriting I can remember. Poul Elming's Siegmund started without much depth of tone and Ulla Gustafsson's Sieglinde was far too busy trying to squeeze out her voice down a narrow vocal tube (and often not in tune) to have time for any emotion. It was all quite passionless, despite Jones's thoughtful handling of his singers.

Nor did the second act begin more promisingly, with Brünnhilde and Wotan playing a heavily significant game of catch-me-if-you-can (incest clearly runs in the family). But these two performers lifted the evening on to a higher plane of Wagnerian music drama. There may be other bass-baritones who find the *Walküre* Wotan easier to sing, but John Tomlinson is head and shoulders above them in dramatic stature. His monologue raged with a Wagnerian intensity reminiscent of Jon Vickers; his "Abschied" was deeply moving.

As Brünnhilde, Deborah Polaski outstripped her Bayreuth performance and sang with unstinting power and security. A performer who has often seemed emotionally blank in the past came to life. Jones must take the credit for drawing such powerful characters out of his singers (the Wotan/Brünnhilde scenes probed deep into their hearts) but the price is a lot of silliness elsewhere. Do we really have to watch Wotan chasing puppets? Or his monologue treated like a cabaret show?

The rest was similarly up and down. Elming's Siegmund regained vocal presence later, despite being stuck down a hole in the ground where he could not be seen. Jane Henschel sang Fricka with plenty of light and shade, but also an un-Wagnerian fast vibrato; Matthias Hölle sang a heavily emphatic Hunding. The Valkyries were a mixed lot, but included among the best Rita Cullis, Penelope Walker and Catherine Wyn-Rogers.

Siegfried, the third instalment, follows next Monday. After such a fine last act here from Haitink and his two principal singers, I am hopeful that this *Ring's* best elements will see their way through.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Aniello Desiderio: the guitarist performs works by Sor, Tarrega and Brouwer; 8.15pm; Oct 5

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Orchester der Deutschen Oper Berlin: with conductor Rafael Frühbeck de Burgos perform Bruckner's Symphony No.8 in C minor; 8pm; Oct 4

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Un Ballo in Maschera: by Verdi. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin. Soloists include Michèle Crider, Elena Batoukova and Alberto Cupido; 7.30pm; Oct 5

Staatsoper Unter den Linden Tel: 49-30-20354438
● Salome: by R. Strauss. Conducted by Wolfgang Rennert and performed by the Staatsoper Unter den Linden. Soloists include Eberhard Büchner, Ute Trekel-Burckhardt and Andrea Bönig; 8pm; Oct 5

CHICAGO

OPERA
Civic Opera House & Civic Theatre Tel: 1-312-332-2244
● Il Trittico: by Puccini. Conducted by Bruno Bartoletti and performed by the Lyric Opera of Chicago. Soloists include Catherine Malfitano, Rolando Panerai and Jean-Philippe Lafont; 7.30pm; Oct 4

COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Kölner Rundfunk-Sinfonie-Orchester: with conductor Semyon Bychkov perform works by Berio and Brahms; 8pm; Oct 5

DUSSELDORF

DANCE
Opernhaus Düsseldorf Tel: 49-211-89080
● Ballett der Deutsche Oper am Rhein: perform Der Holzgeschnitzte Prinz (The Wooden Prince) and Der Wunderbare Mandarin (The Miraculous Mandarin), choreographies by Béla Balázs and Melchior Lengyel to music by Bartók; 7.30pm; Oct 4

HAMBURG

OPERA
Hamburgische Staatsoper Tel: 49-40-351721
● La Bohème: by Puccini. Conducted by Christian Badea and performed by the Staatsoper Hamburg. Soloists include Kathleen Cassello, César Hernández and Albert Schagidullin; 7pm; Oct 5

LILLE

EXHIBITION
FNAC Galeries Tel: 33-20 42 09 90
● Henri Cartier Bresson – "A furtive look at America": exhibition of black and white photographs taken in the US by the French photographer Henri Cartier Bresson. The photographs on display were taken between 1947 and 1974; from Oct 5-26

LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● James Lisney: the pianist performs Chopin's Fantasie in F minor, Op.49, Two Nocturnes, Op.55 and Sonata in B flat minor, Op.35 (Marche Funèbre); 7.30pm; Oct 5

St Giles Cripplegate Tel: 44-171-6388891
● London Mozart Players: with guitarist Julian Bream perform works by Haydn, Takemitsu and Ibert; 8pm; Oct 4

Wigmore Hall Tel: 44-171-9352141
● Joan Rodgers and Gerald Finley: performance of Wolf's Mörike Lieder by the soprano and baritone, accompanied by pianist Roger Vignoles; 7.30pm; Oct 4

OPERA
Royal Opera House – Covent Garden Tel: 44-171-2129234
● La Bohème: by Puccini. Conducted by Jan Latham-Koenig and performed by the Royal Opera. Soloists include Leontina Vaduva, Cynthia Lawrence, Tito Beltran and Jason Howard; 7.30pm; Oct 4

LOS ANGELES

EXHIBITION
Huntington Library, Art Collection and Botanical Gardens Tel: 1-818-405-2100
● Arthur, King of Britain: exhibition of manuscripts, rare books and illustrative material tracing the development of the Arthurian legend as conceived and passed down from the Middle Ages to the 20th century. The exhibition focuses on how the British stories of Arthur became an integral part of European history and literature; to Oct 6

NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Shanghai Quartet: and pianist Joseph Kalichstein perform works by Haydn, Long and R. Schumann; 8pm; Oct 4

EXHIBITION
Whitney Museum of American Art Tel: 1-212-570-3600
● An American Story: a chronological survey of the museum's permanent collection of 20th-century American art. Divided into 15 categories and incorporating more than 200 paintings, sculptures, prints drawings and photographs, the exhibition provides an extensive overview of the art of this century; to Oct 6

PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Jos van Immerseel: the pianist performs the piano version of Haydn's Die Sieben letzten Worte unseres Erlösers am Kreuz, Hob.XX.I; 4.30pm; Oct 5, 6 (3pm)

Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Keller Quartet: perform Beethoven's String Quartet No.6 in B flat major, Op.18, String Quartet No.10 in E flat major, Op.74 and String Quartet No.13 in B flat major, Op.130; 11am; Oct 6

EXHIBITION
Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Life/Live: exhibition focusing on contemporary British art. The display features works by some hundred artists, and includes photographs, videos, installations, paintings, drawings and other objects; from Oct 5 to Jan 5

ROME

OPERA
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● The Marriage: by Mussorgsky. Performed by the Orchestra and Choir of the Kirov Opera with conductor Valery Gergiev and pianist Marina Miscuk. Part of the Italy and Russia Festival; 8pm; Oct 4

WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Leonard Slatkin and flutist James Galway perform works by Schoenberg, Maazel and Ravel; 8.30pm; Oct 4, 5

EXHIBITION
National Museum of American Art Tel: 1-202-357-2700
● American Kaleidoscope: Art at the Close of this Century: works by 14 contemporary American artists from a broad range of regional, ethnic, and political orientations is arranged in three categories, "Shared Concerns", "Spiritual Expressions", and "Making History". Fred Brown, Ranee Stout, Hung Liu, Mark Tansey, Gronk and David Bates are among the artists featured; from Oct 4 to Feb 2

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WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Peter Martin

Delivery in the post

The resurgence of privately-owned postal services is creating new global giants capable of handling all aspects of distribution for business

Postal services have been government-owned for so long that it is difficult for us to imagine them in private hands. The deal under which KPN, the partly-privatised Dutch post and telecoms company, is to buy Australia's TNT transport group, reminds us that things were once different – and will be again.

Privately-owned multinational mail and parcel services have a long history. In 1489, Maximilian I gave Franz von Taxis the right to carry mail throughout the Holy Roman Empire. For nearly 400 years, the Thurn und Taxis family ran a Europe-wide postal service, employing at its peak some 20,000 couriers.

In the 19th century, growing governmental ambition swept away this early service-sector multinational. Its local operations were nationalised one by one, remembered today only by the Thurn und Taxis heraldic device, a golden postman's horn, which they bequeathed to their state-owned successors. The last Thurn und Taxis holdout, in Prussia, succumbed to the government in 1867.

Now, over a century later, the wheel has come full circle. Postal monopolies are under threat everywhere, from fax machines as much as from deregulation. If yesterday's transaction goes through a privatised postal service will own one of the four global private-sector express delivery companies.

So far this industry has been impressive more for its scale and ambitions than for its profitability. The four competitors – Federal Express, United Parcel Services, DHL and TNT – have managed to build worldwide networks of sorting hubs, aircraft, delivery vans and couriers. Their service has become a vital part of business for any internationally-minded company.

But the road has been bumpy: FedEx, for example, was forced to scale back its European ambitions in the early 1990s. The steady profits of the large domestic US markets, which give FedEx and UPS their appeal, have been scarce internationally.

The deal between KPN and TNT offers a way out of this dilemma. It backs the global ambitions of the merged global express business with the stable profits of a domestic postal service. The resulting "global leader in time-sensitive distribution and logistics" is buttressed still further by the 23 per cent profit margin of KPN's other operating subsidiary, PTT Telecom, the Dutch phone company.

KPN's postal subsidiary, PTT Post, has always been the most internationally minded of Europe's mail services, bidding aggressively for the business of the region's bulk mailers.

PTT Post's international business is already twice as high, as a proportion of revenues, as that of other European post offices. Now, says Mr Ad Scheepbouwer, PTT Post's managing director, it will be able to combine its own remailing operations with those of TNT's comparable Mailfast service.

The short-term test of the new group's success will lie in parcels, where it will be number one in Europe, rather than documents, where DHL leads the pack. KPN and TNT already share (with the Swedish postal service) an operation in cross-border shipments; they will now be able to fight more effectively in domestic markets.

Though the business is growing – at 10 per cent a year internationally, 5 per cent a year in domestic markets – competition is tough. Prices fall every year; and all four global express companies compete aggressively on price and service.

Against such a background, others may seek to emulate KPN's deal with TNT. The scope for straight-forward mergers is limited: few other postal services can boast KPN's advantages of a public listing and a telecoms cash-cow. But other kinds of alliances between global express businesses and national postal services are possible. The visceral mistrust between the two is fading: TNT has a contract with Deutsche Bundespost to ferry parcels between the German post office's sorting hubs, for example.

For all four global giants, however, the most exciting opportunities lie in the hectic growth of the logistics outsourcing business. This ill-defined industry has roughly $12bn of annual revenues in Europe, growing at 20 per cent a year, says Mr Scheepbouwer. Typically, a logistics outsourcer takes over part of a company's supply chain, managing any or all of the business's warehouses, components supply, spare parts distribution and customer service.

The business is benefiting from two mutually reinforcing trends. Manufacturers are striving to focus on what they do best, contracting out the rest of their activities. They are also pushing themselves towards regional integration in both Europe and Asia, concentrating their activities in fewer, bigger factories. Handling the logistics of such regional networks is a natural task for outsourcing.

Such developments help ensure that over the next few decades, the physical delivery of objects – paper, packets, parcels – will become a fully integrated global business. Individual segments, such as personal letters, bulk mailing, document delivery, logistics and so on, will each have two or three dominant companies. Some companies will straddle segments; others will specialise. The size and scale of the US will give its companies a significant, though not decisive, edge in this competition. Most competitors will be mainly or partly in the private sector; the remaining state involvement will come through residual shareholdings or lingering regulation.

This high-technology, jet- and electronics-based industry will be a long way from the lonely horse-back couriers of the Thurn und Taxis empire. But the new barons of the global delivery industry will be the spiritual heirs of the business on which Maximilian set the imperial seal five centuries ago. Some will even carry the golden post-horn on the side of their delivery vehicles.

BOOK REVIEW · Sir Paul Fox

GREENFINGER: The Rise of Michael Green and Carlton Communications
By Raymond Snoddy. Faber and Faber, 320pp, £17.50

The man who would be television king

This unauthorised biography of Michael Green, chairman and chief executive of Carlton Communications, offers valuable insight into one of Baroness Thatcher's most controversial measures, the Broadcasting Act 1990.

The Act changed the face of British television, but the debate continues over whether it has been for the better. As the book makes clear, it has certainly been for the betterment of Michael Green and one or two others.

When I was asked to write this review, I hesitated for about 10 seconds. Readers should know that Michael Green invited me to become chairman of Carlton Television, an offer I declined after some reflection. Hence his dismissal of me in a charming phrase that could not be repeated in any newspaper (page 192, since you ask).

I must declare two other interests: on leaving the BBC, I joined Thames Television which lost the London weekday independent television franchise to Carlton in 1992. Also, like many others in television, I have a high regard for the FT's Ray Snoddy, who remains the best-informed writer about British television.

Michael Green's journey on the takeover trail which made Carlton into one of Britain's largest broadcasters is predictably boring. But television was always his target and that is when he gets interesting. First, he wanted to take over London Weekend Television in 1985 but was turned down by the Independent Broadcasting Authority, the regulator at that time. Green, by then used to getting his own way, was baffled by the bureaucrats at Brompton Road. In his view, ITV licences should be bought and sold like any other business.

The next target was Thames Television. Its owners, Thorn-EMI and BET, were disenchanted with television and anxious to sell. In September 1985, a price was agreed – £82.45m – but Carlton had the option to pull out if the IBA blocked the deal. It did.

Twice rebuffed by the IBA, Green remained determined to become a broadcaster. He continued to stalk Thames, was offered 80 per cent of TVS which held the ITV franchise for the south of England, and even dreamed of a merger with Granada.

But it was his appearance at Lady Thatcher's 1988 Downing Street seminar about the future of UK television which convinced everyone that Green was being taken seriously at Westminster. Even Snoddy is not clear why he was there, other than being invited by Lord Young, his cousin by marriage and then one of the prime minister's favourite ministers. It was in the upstairs drawing room that Lady Thatcher "revealed her contempt for Britain's broadcasting elite and denounced ITV as the last bastion of restrictive practices", according to Snoddy.

The Downing Street seminar led to the white paper on broadcasting and the Broadcasting Bill which introduced a blind auction in which all the ITV franchises went to the highest bidder. It was hardly the way to bring about two of the government's objectives of "competition, choice and quality".

Of those who were alongside Green when he submitted the winning bid that threw out Thames, only one or two remain. But he had reached his ambition, and is now, according to Snoddy, "the most powerful man in British television". It is on this basis that he has to be judged.

Yet while he controls two of the most powerful ITV companies – Carlton and Central – so does Gerry Robinson of Granada and LWT. Robinson has two priceless programme assets: World in Action and Coronation Street. Green has none.

Where does he stand in comparison with the TV giants of the past such as Lord Lew Grade and the late Lord Bernstein? In my view, he is not within reach: Bernstein and Grade were showmen first and businessmen second; both had a genuine sense of public service.

Green is totally a businessman, running an effective money-making machine. He claims, according to Snoddy, that he wants to rival Hollywood in popular culture.

There is nothing to prevent him from doing so. Central Television was making films through Zenith, its subsidiary, before Green acquired it. Green could commit money tomorrow for the production of half a dozen films. But that would be a leap into the unknown and he is not an adventurer.

As for Michael Green, the man, Snoddy is even-handed about him. There are accounts of his undoubted charm, his devotion to his children, his circle of friends from television and advertising. Balanced against that are stories of rages, his obsession with money and memories from those sacked or by-passed. It is not clear which is the bigger group: those who like Michael Green or those who loathe him.

The author is a former managing director of Yorkshire Television and of BBC Television. Greenfinger is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK

LETTERS TO THE EDITOR

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Inflation evidence is wrongly extrapolated

From Prof Lucio Izzo.

Sir, Michael Prowse is sbsolutely right ("Inflation apologists", September 30) in his criticism of Professor Akerlof and colleagues who argue that zero inflation is not an appropriate target for monetary policy. In snpport of their argument, they produce evidence, as indicated by Mr Prowse, thet downward real wage movements are rare when the price level is stabilised, but more frequent when inflation is positive. Here we have the Keynesian ghost of nominal downward wage rigidity, whose assumption bears no small responsibility for the inflationary bias impressed on macroeconomic policies round the world from the 1950s to the 1970s.

Undoubtedly Mr Prowse is quite right that it would be absurd for market participants to regard any given cut in real wages as "more" unfair with zero inflation than with an inflation rste different from zero. Nevertheiess, the argument of Akerlof and colleagues, being based on empirical evidence, cannot be dismissed simply because it implies irrational behaviour. But it has been rejected because it wrongiy extrapolates evidence on nominal downward wage rigidity, collected in an environment of a rapid positive average nominal wage change to a hypothetical situation of zero nominal wage change. Hence, if the macroeconomic environment were different, microeconomic behaviour would be different.

Furthermore, standard evidence shows that nominal wages were not downward rigid in the Great Depression 1929-1933, but rather declined by 17 per cent. The problem then was s very upward flexible money wage.

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Space saving front-loader

From Mr John Keegan.

Sir, Richard Tomkins misses an important point in assessing the benefits of European-style front ioading washing machines ("Frigidaire frontal assault puts US in a spin", October 1).

In contrast to s top-loading machine the front-loader may be permanently installed under a kitchen work surface. The generally smaller floor area of European households has influenced the design of washing machines and dryers. In north America, houses are usually much larger and so these appliances do not need to be cramped into the kitchen. Also, most north American apartment buildings have common laundry facilities in the basement.

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Euro not dependent on being legal tender

From Prof K. Alec Chrystal.

Sir, Tim Congdon is demonstrably wrong when he says (Letters, October 2) that "In the modern world of paper fiat money, value is conferred on s currency by the iegal tender laws". A simple counter example is the situation in Scotland where the bank notes are not and never have been legal tender, even in Scotland, and yet there is no hint of an inefficiency in the Scottish monetary system.

Samuel Brittan had it abont right when he described legal tender as an archaic concept (Economic Viewpoint, September 26). Legal tender status is certainly not s necessary condition for a successful currency.

Where Tim Congdon is right is in his argument that the euro cannot become the single currency for a transition period during which the old constituent currencies are still flnctuating in value against each other. The solution, as with the Scottish pound, is to make the constituent currencies *de facto* convertible into each other, costlessly, and at fixed and irrevocable round numbers. From then on we have a single currency system in practice irrespective of whose head is on the notes, what the notes are called and whether or not the legal tender laws are updated.

Samuel Brittan was talking about s different scenario in which the pound sterling is not tied to the euro currency and yet the euro trades in parallel. Certainly the Euro would be used for some trade (mainly with the rest of Europe) hut there is no reason to believe that it would be used any more widely in general circulation in England than are dollar bills or D-Marks today, or indeed are English notes in Scotland, that is, not much.

Only if the UK were to hyper-inflate would s flight to the external currency be stimulated. Hopefully, that is not a liksly event.

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From Mr D M Harrison.

Sir, Delighted to read Samuel Brittan espousing the idea of a parallel euro in Economic Viewpoint – I in fact suggested much the same in a Commission seminar on Emu in Sweden in June.

If I might add to the point he makes, the great merit of such an approach would be that it would allow a transitional period to full Emu, during which the euro might become more widely sceptable.

This might well be a second- or third-best option, as he says – but it might also be better than the nervous breakdown which Martin Wolf currently diagnoses in the UK body politic ("The danger of dithering," October 1).

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Whizzkids who reap where wealth creators have sown

From Mr John Kevan.

Sir, Lucy Kellaway's concerns ("A distant view of corporate rivals", September 23) about the Henley findings on competitive, bad-losing, fast risers are well voiced.

May I forward a pet theory here? In all human activity there are those whose experience, knowledge, encouragement, nurturing and trusting of their associates spark creativity innovation and growth. Such people, I believe, are the real wealth creators in communities and companies. Macho corporate whizzkids, on the contrary, are those who reap where others have sown. Perhaps they are needed to garner and sell goodies others have created, but their value should never be overestimated. Give all the rewards to them and the wealth creators will fada away, followed soon by the wealth.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Thursday October 3 1996

Hong Kong vision

Two points stand out from Governor Chris Patten's speech to the Hong Kong Legislative Council yesterday. One is his conviction that Hong Kong can have a glittering future as an Asian financial centre under Chinese rule.

The other is his pointed assertion that the survival of a democratically elected LegCo, which commands the respect of the population, is central to the rule of law. Only with the rule of law is the future which he foresees possible. So his speech reveals a serious challenge for China.

If it wants the handover to be successful - which it undoubtedly does, not least because of the implications a botched job would have for Taiwan - then it must face up to the risks inherent in its decision to abolish the LegCo elected last year under Mr Patten's democratic reforms.

Since the present LegCo commands respect as a representative law-making body, its forced replacement by an unrepresentative one would undermine faith in the rule of law, with damaging consequences for economic confidence.

Britain is right to argue that there is no need for China to abolish the existing LegCo just because it disagrees with the democracy reforms. But China cannot afford to backtrack on its position. The existing LegCo will be abolished. All Hong Kong and Britain can realistically expect is that Beijing will proceed circumspectly.

Three decisions by China would help. One would be to delay the creation of the provisional LegCo for as long as possible before the handover, and to hold new elections quickly thereafter. Then China could not be accused of installing a parallel legislature before 1997 and running it as a puppet afterwards.

The second would be to keep the composition of the provisional LegCo identical, or at least as close as possible, to that of the existing body. The third would be to reach an accommodation with the Democratic party, which constitutes the main opposition to communist Beijing rule. Since the democrats command more popular support than other parties, a permanent LegCo that excluded them would never be credible.

These may be difficult pills for China, but unless they are swallowed, the transition is doomed to be messy and even damaging. China has shown flexibility in reaching out tentatively to the democrats. This approach should be pursued.

Ultimately Mr Martin Lee, the democrats' leader, would be less of a problem to Beijing if he were in mainstream politics rather than out of them. Offering him this opportunity would in turn force him to consider how best to serve Hong Kong.

Closer bonds

Jacques Chirac voiced doubts this week about letting Club Med members such as Italy into Club Emu - at least on the opening night. But investors are increasingly open to the idea that parts of the periphery will make it into monetary union's first wave. Their renewed confidence could have some interesting implications for European interest rates and currencies - and for Mr Chirac.

Financial markets have been confident for some time that Emu would take place. Since April the gap between French and German bond yields has not exceeded a fifth of a percentage point. But the expectation was that it would be an Emu of the hard core.

No longer. Although many still doubt that countries such as Italy and Spain will be in a single currency from day one, market estimates of their chances have risen sharply. Italian bond yields now stand only around 2¼ percentage points above German ones, compared to a gap of 3¾ percentage points 5 weeks ago. The premium on Spanish and Portuguese bonds has narrowed by roughly the same amount, to a little over 1% points.

Such large shifts in market sentiment have a habit of reversing themselves. After all, no-one will know for some time whether Italy and Spain will deliver on their new, tougher budget promises, or, even, whether they will need to to be allowed into Emu. In the meantime investors might have numerous attacks of cold feet.

This kind of volatility could be costly for countries at the periphery. Yet the longer the markets' confidence in their Emu prospects lasts, the greater the chance that it will prove self-fulfilling. Italy stands to gain the most from lower interest rates, in reduced costs of debt servicing. But Portugal and Spain would also benefit.

Of course, whether and how far interest rates fall will depend on each country's central bank. Many are betting that the Bank of Spain will oblige, by cutting its key intervention rate by a further one half of a percentage point at today's repo auction. If so, the Portuguese authorities are likely to follow close behind.

The recent strengthening of the lira also points toward lower short-term interest rates in Italy. Italian exporters are pushing for a reduction, without which they worry that the markets' new confidence in Italy's Emu chances will land them with a much appreciated exchange rate on entry. As Mr Chirac suggested yesterday, a much higher lira might go a long way toward easing his doubts about Italy. The Bank of Italy will be very loatbe to oblige him.

MPs for hire

In Britain, MPs are not for sale, but you can hire one at a reasonable rate to promote your interests.

The rate varies, according to the Register of Members' Interests from only about £1,000 a year to £30,000 or more.

This is not by itself objectionable. Britain has a long tradition of part time MPs, paid a relatively low salary and expected to bring experience of the world to parliament.

In such a system it is not only reasonable, but necessary that MPs should have outside interests for which they are paid. It is also right that these interests should be reflected in what they say in the House, provided that they disclose payments and avoid all taint of venality.

However, the line between legitimate lobbying and "cash for questions" has become blurred. The case of Mr Neil Hamilton, the Tory MP accused by The Guardian newspaper of receiving money to ask parliamentary questions has once again brought the distinction to public attention.

Since Mr Hamilton withdrew his libel action against the newspaper at the last minute, it will be for Sir Gordon Downey, the parliamentary standards commissioner, to establish the facts. Whatever he finds in this case, there is evidence that some MPs have accepted cash, benefits, or contributions to election funds from people who wanted a favour in return.

Following the recommendations of Lord Nolan's enquiry into this issue last year, parliament voted for a series of measures to tighten up standards, including stronger disclosure rules and the appointment of the commissioner.

Mr Hamilton's case may well prove to be the first big test of the new system. The allegations against him are extremely serious, as he recognised by bringing the action. It is therefore important that he should be given the opportunity to clear his name through parliament's own procedures, and most important of all, that he should suffer the consequences if the allegations are upheld.

The case raises two wider questions. First, if a lobbyist tries to buy influence by putting money into the local party's collecting tin, this does not now have to be disclosed. Second, MPs do not have to list earnings which they claim are unrelated to parliamentary work.

Both these loopholes should be blocked up. A recent opinion poll suggested that a majority of the public believed MPs should give up all outside paid work. It is possible to envisage a very different parliament of fewer, better paid MPs whose outside interests would be circumscribed. But for the British system as it has evolved, the best remedy must be full, compulsory disclosure - and a slippery slope ready for anyone with a greasy palm.

Winter of their discontent

Germany's unions are fighting to preserve a social welfare system which employers say is too costly, writes **Wolfgang Münchau**

Mr Heinz Weinreich, a retired shipyard worker from Schleswig-Holstein in northern Germany, vividly remembers the winter of 1956. For 114 days, he and 60,000 colleagues in the steel industry were on strike in a battle that ended in one of the biggest victories for the German labour movement.

Mr Weinreich was the strike leader at the now defunct Kremersohn shipyard in Elmshorn, north-west of Hamburg. He recalls the cold days and nights out on the picket lines, cups of tea spiced with rum to keep warm, the financial hardship and the extended credit lines at the grocers.

When the strike finished in February 1957, the unions had established the right to 90 per cent sick pay after three days of illness where there had been no arrangements before. Successive governments later enshrined parts of the agreement into law and by 1970 all employees were entitled to a full wage from the first day of illness.

This week, however, German engineering workers have been back on strike over the issue, following a decision by some of the largest employers to cut sick pay entitlements to 80 per cent of wages. The move follows a change in German law, which took effect on Tuesday.

On Tuesday, more than 100,000 eogineering workers all over Germany staged strikes, witb Mr Klaus Zwickel, president of IG Metall, the engineering union, invoking the spirit of 1956. More strikes are to follow, with most German trade unionists seeing full sick pay as the quintessential symbol of the welfare state.

"After all we have heen through," says Mr Weinreich, "I have not the slightest doubt that the unioos will call a strike again. It is absolutely incredible that the employers are trying to take away what we had fought for so hard."

Daimler-Benz, the automotive and defence group, was the first large company to announce sick pay cuts. It is now the main target of protests, led by Mr Karl Feuerstein, bead of the group's works council - in the past a docile body not known for its militancy.

Mr Feuerstein says the country is becoming like "a banana republic" if companies such as Daimler are allowed to alter terms of employment for existing employees. The company, he says, is "in hlatant hreach of contract".

The employers, for their part, see the generous sick pay system as the symbol of the welfare state gone herserk. Judging by their puhlic statements, they are gearing up for a big confrontation.

An official in one of the country's employers' federations says hluntly: "This palaver is not about the sick pay money we are going to save. This is a symbol saying that we are ready to act, that we bave reacbed turning point."

German employers operate in one of the most regulated and inflexible lahour markets in Europe. Large companies must establish supervisory boards with almost equal proportions of worker and employer representatives.

Many employees work exact seven-and-a-half hour shifts from Monday to Thursday, and five hours on Friday. Some engineering factories close down for five minutes once every bour, a relic dating from an agreement made during the 1980s.

But the sick pay system has hecome a symbol of the generosity of the German social welfare system which employers must pay for. Employees suffering from stress or hackache are prescribed long hreaks in mountain health resorts - a popular cure in a country known for its fondness for alternative medicine or even quack remedies. Tbe costs of treatments such as water-treading and mud haths are largely paid for by employers since under German labour law, they do not count as holidays hut as work.

As well as bearing the costs of sick pay, employers also pay two-thirds of the contrihutions towards an employee's state pension contribution. They pay for half tbe cost of employees' bealtb insurance, half tbe contrihution to the unemployment insurance fund and as mucb again for the recently introduced old-age care system. These non-wage employer costs add up to more than 40 per cent of the payroll bill. The German cbemical industry recently calculated that the average cost of employing its workers is DM107,150 ($70,500) a year, more than half of which is accounted for by indirect lahour costs.

The gap with other industrial countries is immense. Accordiog to 1994 data from IW, the Cologne ecooomic institute, German wage costs averaged DM43.97 per hour compared with DM27.97 in the US, DM22.06 in tbe UK and DM3.36 lo the Czecb Republic.

Several smaller German companies have already moved production to countries in eastern European and Asia where labour costs are lower. Others such as BMW, the npmarket carmaker, and Siemens, the electronics group, are locating new investments in other countries. And Germany has found it harder than other European countries to attract foreign investors, deterred by the costs and a cumbersome industrial relations system.

It was the need to make Germany more attractive for employers that led the government to introduce the package of cuts in compulsory social insurance provisions which passed through parliament last month. In addition to the reduction in sick pay, the package also reduced the length of time employees are entitled to spend at a health spa from four weeks every three years to three weeks every four years. And it removed the statutory protectioo against dismissal for workers in companies with 10 or fewer employees.

The intention, however, was to curb the costs of Germany's social welfare system witbout damaging the balance of iodustrial relations. Most Germans strongly support the country's consensus-based system, eveo if they are in favour of substantial welfare reform.

The government's legal advisers sald tbat employees would retain their rights under their existing lahour contracts and that the change would apply only to new employees. That was also the intention of the Christian Democratic Uniou which is the dominant partner in the governing coalition and is anxious to avoid an open confrontation with the trade unions.

For this reason, the unions did not oppose the measures strongly during their passage through parliament. But some employers have moved quickly to take advantage of the measures: they argue that employment contracts are based on the law, and that a change in the law implies a change in the contract.

German legal precedents have been unhelpfully vague on this matter - previous rulings by the country's courts lend themselves to different interpretations. But the speed and the resolve of some German companies in seeking to use the rules to their own advantage have surprised ministers and drewn condemnation from politicians on the left and right.

Chancellor Helmut Kobl bas appealed to employers to bonour existing contracts. Ms Renate Schmidt, leader of the Bavarian Social Democrats, waroed of a challenge to the "wbola system of democracy". And President Roman Herzog, normally a vocal proponeot of social reforms, advised employers to tread cautiously and not to endanger the social peace.

Some companies have beeded the advice. Volkswagen, the car maker, refused to follow Daimler-Benz's lead, insisting it was oot prepared to break current labour cootracts. And Siemens, Germany's second largest industrial company, which originally said it would impose similar cuts, has now hacktracked. Oo Tuesday, it said that the cuts would not he implemented immediately.

Employers' organisations are split over the issue. Those in the chemical industry, for example, have expressed concern that they may he affected hy strikes that spill over from the eogineering companies. BJU, the federation of young employers, has also questioned tbe wisdom of imposing the cuts so hastily.

For the moment, Daimler-Benz, Germany's largest industrial group, is the main target for strike action. The company expects to save over DM140m through the cuts to sick pay, a sizeable amount even for a company of that size. But the strikes have already cost Daimler-Benz around DM200m in lost production - and there are more to come.

The unions may find it hard to sustain the action, especially among yoUnger Germans who are not as militant as the previous generation. As Mr Weinreich, the former strike-leader, puts it: "They have only known the system as it is. They never had to fight for anything."

But public opinion has swung firmly to the unions. And this week's strikes have heen well-supported by members - including the young - at a time when their membership and influence bas been in decline.

In the past, trade unionists have shown greater cohesion during labour hattles than the employers - one reason why the German social insurance system is what it is. By their haste to cut sick pay, some German employers bave given IG Metall and other unions a new lease of life.

· OBSERVER ·

Pfennig pinching

■ The German government's hudget cutting efforts in the cause of monetary union are all very landable, but shouldn't someone have told the country's Nato delegation in Brussels that everything has its limits?

The other day, Reinhard Bettzuege, Germany's deputy ambassador at Nato, threw an Oktoberfest party at his house. The bash was notable not least for the generous support it drew from tobacco, beer, and champagne interests.

A blue-and-white Bavarian flag fluttered outside the front door, and insida the Paulaner beer flowed. Guests were interrupted regularly by young women bearing trays of cigarettes. Meanwhile, photographers snapping the more prominent members of the assembled crowd took care to take in Mrs Monika Wulf-Mathies, the EU commissioner for regional policy.

Bettzuege's original invitation in English and German mentioned his senior position at Nato and extolled the tradition of the Oktoberfest - hut unaccountably failed to breathe a word about commercial sponsorship.

Now it may be that the German finance ministry thinks that the privatisation of government functions is e wonderfully painless way of reducing the public deficit.

But the more traditionally minded German civil servants in Brussels - who know that all diplomats stationed abroad receive a generous entertainment allowance from the foreign ministry in Bonn - are wincing.

Rodent revenge

■ The spat between France and Italy concerning the latter's suitability as a candidate for the first round of Emu has goaded the mild-mannered Romano Prodi into deploying some very strange language indeed.

Riled at French president Jacques Chirac's comments concerning the inconveniently weak lira, Prodi was heard to mutter: "We'll make them see green rats." An etymological obscurity, and these days used, if at all, on the football terraces, it seems to translate roughly as:"We'll show 'em".

La Stampa, the Turin paper, yesterday helpfully provided the odd clue. Green rats were apparently painted on the fuselage of three Italian S79 fighter-bombers (one piloted by Mussolini's son Bruno) that contributed their hit to aviation history by flying from Rome to Rio de Janeiro in 1938.

Meanwbile, actions spoke louder than words for treasury minister Carlo Azeglio Ciampi, who cancelled his Air France flight bome and re-routed himself via Londou on British Airways.

Rallying cry

■ Peter Costello, Australia's treasurer, has not been in the joh very long. But the man who came in as a member of the Liberal-National coalition in March seems already to have won a rare distinction. With a bit of help from the local media, he yesterday became one of the very few Australian treasurers to have moved the US bond market.

The trouble started when the Australian Financial Review - the country's main financial newspaper - ran an interview with Costello, who is in Washington for the IMF meeting.

Costello bad been in to see Alan Greenspan, and was reported as saying that the chairman of the US Federal Reserve saw no threat of inflation down the track. He also went on to observe tbat there didn't appear to be "any expectation at…the moment that (US interest) rates are going to rise".

Such candour, while hardly uncommon on the Australian political scene, was meat and drink to US bond traders who hang on Greenspan's every - and normally much more infrequent - word. Bond prices duly rallied.

Back home, outspokenness remained the order of the day. Gareth Evans, former foreign minister and now shadow treasurer, was quick to indulge in some Australian hyperbole of his own. "After the appalliog indiscretion that [Costello] committed in Washington…, he's embarrassed us in the eyes of the world," he declared.

Testing times

■ Visitors to Hanoi who have pondered the life-threatening chaos of the local traffic will know how recent ecooomic reforms have turned bicycle owners into motorhike racers and tree-lined boulevards into clogged thoroughfares.

What they may not know is how the mandatory driving test works. Three foreigners examined recently learned something of the process, according to the Vietnam News.

The trio were ushered into a room and handed a sheet of multiple choice questions on the Vietnamese highway code. The examiner then proceeded to tell them which answers to tick off - and promptly sent them home.

The Financial Times

100 years ago

The Siamese Railway
Bangkok, 1st Oct:- The entire capital of the projected railway between Bangkok and Petchaburi, on the East coast of the Malay peninsula, bas been subscribed locally by tbe Siamese. The King will turn the first sod of the new line oo 1st of January next. (Reuter).

50 years ago

Alberta "Bill Of Rights"
Montreal, 2nd. Oct:- The Edmonton Appellate Division of the Alberta Supreme Court is deciding the validity of the legislation known as the "Bill of Rights" passed last session by the Government of Alberta. When the hearing opened, Mr G.H. Steer presented the Dominion Government's case, contending that the Bill was beyond the power of the legislature because it invades the fields of banking, currency, trade and commerce reserved exclusively to the Dominion.

Conservatives' Conference
Grave concern at Britain's financial and economic policy under the Labour Government will be expressed at the 67th annual conference of the National Union of Conservative Associations in Blackpool. The conference lasts until Saturday, when Mr. Winston Churchill will address the delegates.

FINANCIAL TIMES
Thursday October 3 1996

Computer allies trade blows

Oracle chief executive is accused of talking down Netscape's stock ahead of takeover bid

By Louise Kehoe in San Francisco and Christopher Parkes in Los Angeles

Two of the staunchest allies in the fast-moving computer software business, Netscape and Oracle, have fallen out noisily.

Mr Larry Ellison, chairman and chief executive officer of Oracle, the world's second largest software company, has said that Netscape has "no chance of surviving".

Netscape, the Internet software company that set Wall Street records with its public stock offering last year, thinks Mr Ellison might be trying to talk down the Netscape share price.

"He is talking down Netscape's stock because he wants to acquire the company," Jim Barksdale, chief executive of Netscape, said.

The row has startled software industry observers. Netscape is one of the most prominent supporters of the Network Computer, the cornerstone of Oracle's strategy to shift the focus of Internet computing from the desktop to central servers. Oracle and Netscape also collaborate broadly in supporting various standards and protocols for the Internet. What is more, they share a mutual and passionate rivalry with Microsoft, the software industry leader.

Yet at a recent industry conference in Paris, Mr Ellison predicted that Netscape's flagship product, the Netscape Navigator Web browser, was doomed.

"There will be no such thing as a browser in a couple of years," he said. By then, he said, central servers with sophisticated searching and electronic mail programs would overtake today's Internet software for desktop computers.

The Oracle chairman also ridiculed Netscape's successful 1995 stock flotation. The share price rocketed from an opening price of $28 to $174 in its first four months of trading.

Mr Ellison declined to comment yesterday on Mr Barksdale's assertion that he aims to acquire Netscape, or to offer any alternative explanation for his attacks on the company.

Mr Ellison's remarks do not appear to have hit Netscape's share price. After hitting a low of $34½ at the end of August, shortly after Microsoft launched its competing Web browser, Netscape has rebounded to $47½ over the past month.

But Netscape fears it may now be an Oracle takeover target. Mr Barksdale thinks that Oracle wants to expand its role in the fast-growing market for Internet software and has identified Netscape as a means of achieving this.

Industry analysts say that Mr Ellison has craved a more prominent role in the software industry to match that of arch-rival Mr Bill Gates, chairman and chief executive of Microsoft.

Over the past year Mr Ellison has mounted a vigorous publicity campaign to promote the Network Computer, which he predicts will outsell personal computers by the end of the decade and undermine Microsoft's dominance in desktop computer software.

The acquisition of Netscape would make sense for Oracle. There is little overlap between the companies' products, industry analysts said. As the world leader in database software, Oracle is benefiting from the rapid growth of network computing and the Internet. However, its Web server and Web browser products have not made a big impact in the Internet software market.

While Oracle may have a motive and a strategic rationale for acquiring Netscape, it may not have the means. Netscape's market capitalisation stands at almost $4bn. It might take as much as $6bn to acquire the company, industry analysts estimate. Even for Mr Ellison, raising such a sum could be a challenge.

French PM wins vote of confidence

By David Buchan in Paris

Mr Alain Juppé, France's embattled prime minister, yesterday won a parliamentary vote of confidence after he promised a drive to lower the country's record unemployment level and outlined plans to strengthen democracy.

Mr Juppé had called the confidence vote at the start of a new parliamentary session to quell internal opposition.

The 464-100 vote in his favour reflected the huge share of seats held by the centre-right coalition, but Mr Juppé won only a muted reception from his own backbenchers. In recent weeks, many contested the prime minister's social and economic measures. President Jacques Chirac has had to intervene to support Mr Juppé, warning rebels that they could not count on presidential support in 1998 parliamentary elections.

In a speech addressed more to his backbenchers than to the opposition, Mr Juppé said "perseverance would pay off and that 1997 would be a year of improvement".

He welcomed the fall in long-term French interest rates to an "historically low" level of around 6 per cent, and forecast they "could even drop below this threshold". Mr Juppé said: "Monetary stability is ensuring the decrease in interest rates and making credible the march towards the single [European] currency."

Mr Juppé conceded the August rise in job-seekers, which brought unemployment to a record 12.6 per cent of the labour force, was "unacceptable". He proposed to launch a new "decentralised plan of action for jobs", involving local and central government.

Mr Laurent Fabius, floor leader of the opposition Socialists, accused the government of "failing on the essentials – employment, the economy, industrial relations, and preparation of the [country's] future".

Mr Juppé said he would strengthen democracy by simplifying state bureaucracy, involving citizens more in decision-making and reinforcing the presumption of innocence in French law.

Paris soothes Italian anger, Page 2
Editorial Comment, Page 13

Opposition urges Yeltsin to resign

By Chrystia Freeland in Moscow

Russia's opposition politicians stepped up their calls yesterday for President Boris Yeltsin's resignation, warning that his prolonged hospitalisation was threatening to plunge the country into chaos.

But Mr Anatoly Chubais, the president's chief of staff, launched a swift counter-offensive, insisting that the government could function smoothly despite the temporary absence of its chief.

Similar assurances from Kremlin officials over the past few weeks appear to have done little to assure the Russian public.

In a monthly rating of the country's most influential politicians published yesterday in Nezavisimaya Gazeta, a Russian daily, the president dropped to third place, behind Mr Victor Chernomyrdin, prime minister, and Mr Alexander Lebed, security chief.

Both men, along with Mr Yuri Luzhkov, mayor of Moscow, and opposition leaders are believed to be positioning themselves ahead of a possible election race to succeed Mr Yeltsin. Mr Chubais, who has compared Mr Yeltsin to Peter the Great, sought to scotch these bids, warning that politicians who launched premature campaigns to succeed the ailing leader would get their comeuppance when Mr Yeltsin recovered from heart surgery.

"Very soon it will be clear this is a false start and those who started too early will have to return to the starting line under the alert gaze of the ultimate referee – President Boris Yeltsin," Mr Chubais said.

However, his admonition did not deter Mr Gennady Zyuganov, the Communist leader who was defeated by Mr Yeltsin in the July presidential ballot.

Mr Zyuganov said that the president's illness had paralysed the government at a time when looming national problems, including a backlog of unpaid wages said to exceed $7bn, required urgent action.

"The government is unable to resolve a single question. If things continue in this way Russia will repeat the fate of the Soviet Union," Mr Zyuganov said on the first day of the parliament's autumn session.

Beijing warned over plans for Hong Kong legislature

Continued from Page 1

interference. He added: "My anxiety is not that this community'a antonomy would be usurped by Beijing, but that tt could be given away bit by bit by some people in Hong Kong." One example which prompted concerns was the lobbying of Beijing by Hong Kong business groups seeking to win mobile telecommunications licences in the territory.

Mr Patten's address – in part a defence of his record during his tenure – came under fire from some legislators, who said the governor and Britain had not gone far enough in defence of its institutions.

"Britain is doing sweet nothing and we are angry," said Ms Emily Lau, an independent legislator.

Mr Martin Lee, head of the Democratic party, demanded Britain pledge to take China to the international courts should it proceed with plans to scrap the legislature.

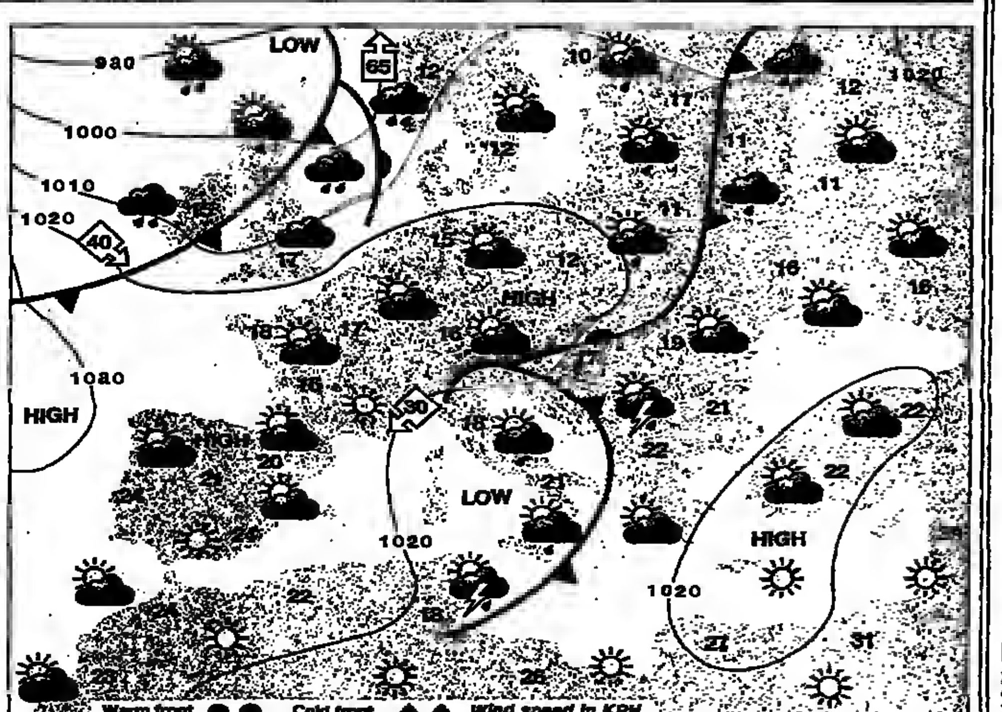
FT WEATHER GUIDE

Europe today

The Benelux, Germany and Poland will remain dry with sunny spells. Most of Scandinavia will be dry and calm although southern Norway will have some rain. The British Isles will have showers end some heavier rain. France and the Mediterranean will have plenty of sunshine. Spain will be sunny. Italy will have sunny apells, with rain in the south. The Alps will generally be fair with sunny periods. The Balkans and Greece will be cloudy with some thunder showers.

Five-day forecast

The rain and wind over Great Britain will move into western Europe by the end of the week. At the end of the weekend, a new front will bring more rain. The Mediterranean will have plenty of rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

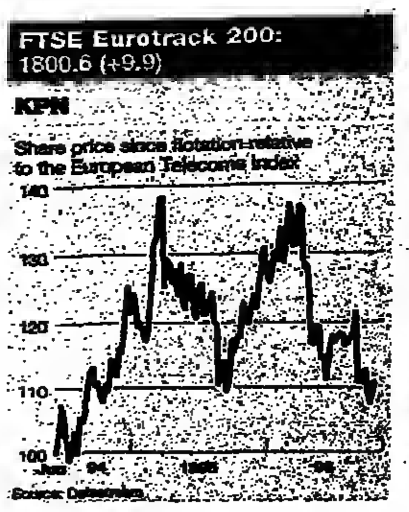
Maximum Celsius

		Beijing	fair 24	Caracas	shower 31	Faro	sun 25	Madrid	sun 22	Rangoon	cloudy 33
		Belfast	rain 14	Cardiff	shower 17	Frankfurt	fair 15	Majorca	sun 21	Reykjavik	shower 9
Abu Dhabi	sun 38	Belgrade	thund 20	Casablanca	fair 24	Geneva	sun 18	Malta	shower 24	Rio	fair 27
Accra	fair 31	Berlin	fair 15	Chicago	sun 12	Gibraltar	sun 25	Manchester	rain 17	Rome	shower 21
Algiers	shower 22	Bermuda	cloudy 28	Cologne	fair 15	Glasgow	rain 15	Manila	shower 33	S. Frsco	fair 22
Amsterdam	fair 18	Bogota	fair 20	Dakar	fair 31	Hamburg	fair 14	Melbourne	shower 19	Seoul	rain 23
Athens	thund 25	Bombay	fair 32	Dallas	sun 28	Helsinki	fair 10	Mexico City	shower 17	Singapore	shower 31
Atlanta	fair 21	Brussels	fair 15	Delhi	sun 38	Hong Kong	shower 30	Miami	fair 32	Stockholm	fair 12
B. Aires	fair 22	Budapest	fair 18	Dubai	sun 35	Honolulu	cloudy 31	Milan	fair 19	Strasbourg	fair 15
B.ham	rain 18	C.hagen	shower 12	Dublin	rain 15	Istanbul	fair 22	Montreal	fair 7	Sydney	sun 22
Bangkok	rain 33	Cairo	sun 31	Dubrovnik	thund 21	Jakarta	fair 32	Moscow	rain 11	Tangier	sun 24
Barcelona	fair 21	Cape Town	fair 18	Edinburgh	rain 16	Jersey	shower 16	Munich	fair 16	Tel Aviv	sun 31
						Karachi	sun 35	Nairobi	fair 27	Tokyo	shower 22
						Kuwait	sun 39	Naples	shower 20	Toronto	fair 8
						L. Angeles	sun 24	Nassau	fair 31	Vancouver	rain 16
						Las Palmas	fair 28	New York	fair 15	Venice	shower 18
						Lima	cloudy 18	Nice	sun 20	Vienna	fair 14
						Lisbon	sun 25	Nicosia	sun 29	Warsaw	fair 12
						London	shower 18	Oslo	shower 12	Washington	sun 18
						Lux.bourg	fair 15	Paris	fair 17	Wellington	fair 15
						Lyon	sun 19	Perth	cloudy 23	Winnipeg	sun 9
						Madeira	fair 23	Prague	fair 13	Zurich	fair 15

THE LEX COLUMN

Dutch courage

KPN's A$2bn acquisition of TNT makes strategic sense, but the Dutch telecoms and postal group is certainly paying a high price for the Australian express mail and logistics company. The merger of KPN's express mail business with TNT's will create the most extensive network in Europe. Longer term, the combination puts KPN – which is already active in bulk business mail – in pole position to benefit from the liberalisation of Europe's postal markets. Britain's Royal Mail, which has been urging its government to privatise it in order to meet such a competitive threat, must be feeling bitter.



The financial logic, by contrast, is less solid. KPN is paying 11 times operating cash flow and 19 times operating profits. True, the Dutch group should be able to cut costs by eliminating duplication. But these are still hefty multiples for a business with a chequered history. While TNT's European operations are performing well, there must be doubts about KPN's ability to manage the business in far-away Australia, the source of most of TNT's problems.

KPN's spending spree also raises the question of how long this telecoms/postal hybrid can remain intact. Not only are both businesses keen to expand, creating potential conflicts as they compete for capital, but investors find this strange combination hard to value, arguably pushing up its cost of capital. It is time to consider a demerger.

UK equities

As the FTSE 100 pushed through 4,000 yesterday, it was seductively easy to believe it would continue to carry on upward. City analysts believe low inflation and low interest rates are reason enough to justify higher valuations. Equities are also being supported by a buoyant gilts market and strong institutional liquidity. Nor does the UK market look expensive relative to its peers. A price/earnings multiple of 15 this year, falling to 14 next, compares with continental European averages of 20 and 15.

When everything appears to be going this well, it is time to start worrying. There are three broad concerns. The first is that today's strong economic growth is fuelling tomorrow's inflation. While interest rates remain low, particularly in the US and Japan, money will continue to flow into equities. But once central banks start tightening monetary policy, that could quickly reverse – as it did in February 1994 when the US Federal Reserve raised rates. The second worry is that Wall Street will run out of steam. Unlike the UK, the US market really does look stretched; the dividend yield on the S&P 500 index is at its lowest this century, while the value of shares to gross domestic product is at its highest level ever.

So is the ratio of share prices to sales and to book value. The third threat is more partisan. As the UK election approaches, political uncertainty will intensify. None of this means the stock market will crash. But some caution looks appropriate.

Air traffic control

The idea of privatising British air traffic control faces heavy opposition; not only did Labour's transport spokesman furiously attack it yesterday but Sir George Young, the transport secretary, seems nervous too. This is a pity. Privatisation may look a hopelessly whacky wheeze; in fact it is perfectly sane.

For a start, it is worth bothering with. British air traffic control, run by the Civil Aviation Authority, costs airlines £500m a year. It is a classic heavily-unionised, engineer-driven operation; the CAA can demand new technical gizmoes without any attention to cost.

But even if privatisation improved efficiency, opponents say, what if a private operator failed to run the system safely? Well, we trust private companies to fly us. And privatisation might actually help. At present the operator – the CAA – regulates itself; arguably, genuinely arms-length regulation of a private operator would be an improvement. Of course, there is plenty of debate over privatisation mechanics. Inevitably, the Treasury would like to maximise proceeds; this probably means selling the system as a regulated monopoly. But if Labour wanted something with more "stakeholder" feel, it could always keep the system non-profit-making and regulated but hand control to the airlines. Fundamentally, these arguments are second-order; the real objectives should be to take the investment programme out of public borrowing constraints and to sharpen incentives to keep costs down. Whatever the method, privatisation would achieve both.

Commodities

Is it time to be buying commodities? Investment guru Jim Rogers thinks so. He is predicting a "multi-year explosion" in raw material prices. There is some evidence in his favour. Grain and energy inventories are respectively close to 50-year and 20-year lows. Returns are also perking up; this year the Goldman Sachs commodity index is up by 22 per cent; the S&P 500, by contrast, has risen only 13 per cent and the Merrill Lynch domestic bond index has fallen by 0.5 per cent.

The high GSCI figure may look curious. Energy has been very strong – with prices up by 41 per cent – but base metals are down by 16 per cent. Some other commodity indicators remain soft, and global inflation is subdued. This hardly squares with the popular mythology of commodity booms being stoked by feverish inflation expectations. But in fact, inflation is no prerequisite for a commodity rally. Rather, demand must be firm, and bottlenecks then typically provide the trigger for higher prices. This is precisely what has happened; strong growth in the US and non-Japan Asia drove food and energy inventories to very low levels. Bottlenecks then arrived in the form of very cold weather in the US, which drove up energy demand, while unseasonal early rains interfered with food supply.

Metals have missed out because of weaker demand in Japan and Europe. But with a modest pick-up expected, these prices should also benefit. A multi-year boom, though, looks to be expecting too much.

Additional Lex comment on Norwich Union, Page 20

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday October 3 1996

IN BRIEF

UK life assurer plans 1997 float

Norwich Union is to become the first UK life assurer to abandon mutual ownership in a flotation on the London stock market next year which would raise an estimated £2bn ($3.1bn) in new money. Page 20; Lex, Page 20

Emu optimism lifts Italian bond prices
Italian government bond prices rose sharply and the lire strengthened amid growing expectations that the country could be among the first to join in European Monetary Union. The yield spread over German 10-year bonds – the risk premium charged by investors for holding Italian debt – fell to its lowest level for 20 years. Page 22

UPM-Kymmene considers US listing
UPM-Kymmene, Europe's largest pulp and paper group, is considering a New York listing as part of a strategy to raise its profile in the North American market. Page 16

Summer weakness hits Morgan Stanley
Third-quarter earnings at Morgan Stanley, the US investment bank, fell to $1.27 per fully diluted share from $1.75 in the second quarter. Page 19

Can makers shape up for future
The aluminium industry heralded its latest breakthrough – the drinks can that does not look like a can. Page 24; Aluminium demand expected to pick up, Page 24; Pechiney protests, Page 16

Companies in this issue

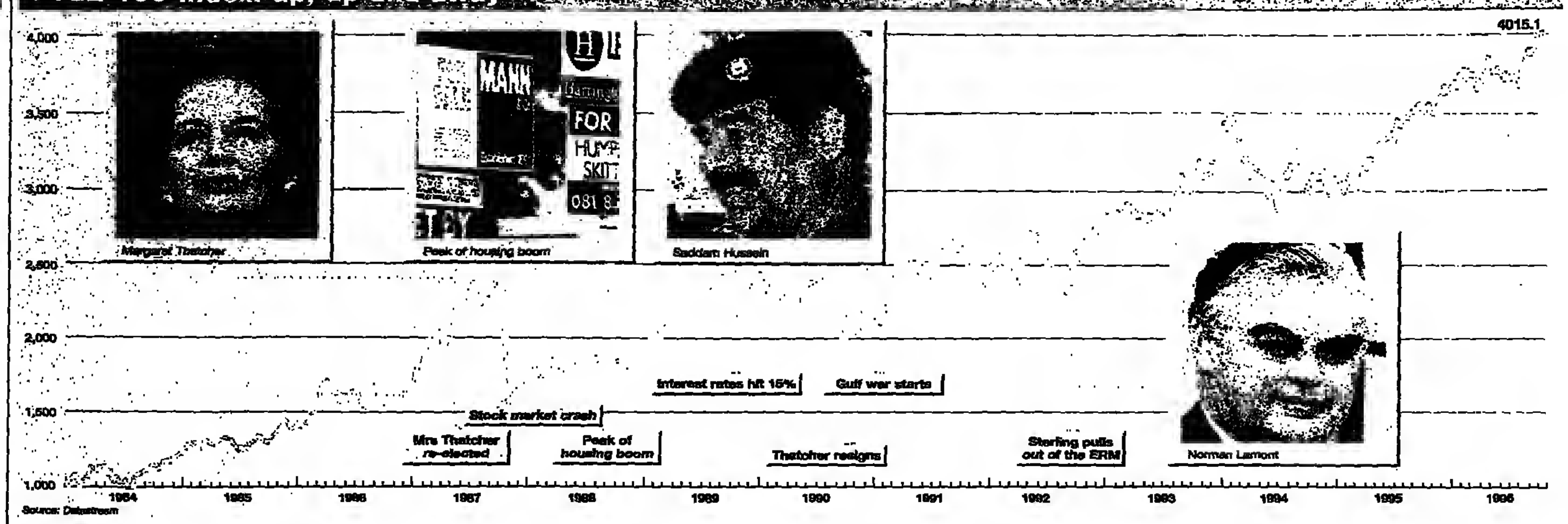
Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)				Accor	669	+	12
Rises				Carrefour	3320	+	48
Allianz	1344	+	74	Lafarge	309.7	+	5.7
Degussa	584	+	15.5	Peugeot	582	+	16
Gerresheimer	32.8	+	1.25	Falls			
Karstadt	540	+	13	SGS-Thomson	231.8	-	12.2
SAP	262.5	+	9.3	**TOKYO (Yen)**			
Falls				Rises			
[illegible]	659	-	11	Daiichi Chem	605	+	14
NEW YORK ($)				[illegible]	2000	+	50
Rises				Mochida Pharm	1350	+	30
Delta & Pine	33¾	+	2⅛	[illegible]	504	+	24
Fleet USA	59¼	+	2⅝	Falls			
Oakley	44⅞	+	2⅜	Fujita Kanko	2110	-	50
Falls				[illegible]	2790	-	50
[illegible]	21	-	2⅜	**HONG KONG (HK$)**			
Lydall	21⅛	-	2⅝	Rises			
Utd Wisconsin	26½	-	[illegible]	China Travel	2.55	+	0.20
LONDON (Pence)				Oriental Press	4.375	+	0.45
Rises				Prestige PPT	1.36	+	0.20
Abacus Recrt.	60½	+	15	[illegible] Hldgs	15.80	+	1.05
Clubhaus	75	+	7½	Wah Tak Fung	2.00	+	0.29
Kwik Save	330	+	18½	Falls			
Rolls-Royce	254	+	11½	[illegible]	15.40	-	0.65
Falls				**BANGKOK (Baht)**			
Barry Stewart	81½	-	10	Rises			
Tinsley Robor	110½	-	15½	Lee Feedmill	42.75	+	3.25
TORONTO (C$)				[illegible] Cap	56.50	+	5.00
Rises				Royal Orchid	17.00	+	1.50
Chrysler	41.10	+	2.60	Science E&E	31.75	+	2.75
Great Lakes Pwr	26.00	+	2.00	Falls			
Teleglobe	26.30	+	2.15	PCM Precast	18.25	-	14.75
Falls				Singer	171.00	-	11.00
[illegible] Tel	20.00	-	1.00				
[illegible] Gld	17.00	-	1.00				
Char Films A	36.00	-	2.00				
PARIS (FFr)							
Rises							
AGF	148	+	3.5				

New York & Toronto prices at 12.30.

FTSE 100 Index: up, up and away



Source: Datastream

UK index breaks through 4,000 barrier

By Philip Coggan, Markets Editor

London's FTSE 100 index surged past 4,000 for the first time yesterday as global equity markets continued to prosper in the light of low inflation and interest rates.

Markets in Amsterdam, Brussels, Copenhagen, Dublin, Frankfurt, Istanbul and Oslo recorded all-time highs yesterday, while on Wall Street, the Dow Jones Industrial Average edged closer to 6,000, reaching 5,927.26 by 1pm New York time.

The UK's leading index, which tracks the top 100 companies, leapt past 4,000 at the opening bell and stayed ahead of it all day, recording on the way an all-time intra-day high of 4,016.4 and a closing peak of 4,015.1. Footsie, which was launched at 1,000 at the start of 1984, first passed 2,000 in March 1987 and 3,000 in August 1993.

World markets stumbled in July, when investors feared that the US Federal Reserve was about to raise interest rates. But the Fed left interest rates unchanged at both its August and September meetings, allowing markets to rally around the world.

"It is largely a story of liquidity. Interest rates are low round the world, in some cases, such as the US and the UK, inappropriately so, and the cash is flowing into the equity market," said Mr Mark Brown, head of strategy and economics at brokers ABN Amro Hoare Govett.

Bond markets have also been strong, with European government bonds benefiting from hopes of currency union. High-yielding markets, such as Spain and Italy, have seen yield spreads over German government bonds fall sharply.

Even though the UK seems unlikely to join currency union, gilts are enjoying some of the benefits of the strong international bond market. According to Mr Steve Wright, UK strategist at BZW, the investment bank, index-linked gilt yields are at their lowest since 1994. As a consequence, share prices do not look expensive relative to bonds.

The UK's investment institutions are flush with cash, partly because of their caution about the market earlier in the year, and partly, according to Mr Bob Semple, equity strategist at NatWest Securities, the investment bank, because "companies have been returning cash in the form of takeovers and share buy-backs".

With interest rates unlikely to rise in the UK before the general election, it seems as if many institutions have decided to use the start of the year's fourth quarter as an opportunity to return some of that cash to the equity market.

Lex, Page 14; Markets, Page 30

Eurotunnel board looks at refinancing package

By Andrew Jack in Paris and Geoff Dyer in London

The board of Eurotunnel, the troubled Anglo-French operator of the Channel tunnel link, was meeting last night to approve a refinancing plan for its £9bn ($14bn) debts which it agreed with its leading banks in a last-minute deal which will save the group from bankruptcy.

The meeting came ahead of the preparation of e final draft of the agreement which is due to be circulated within the next few deys. The terms, which were approved on a handshake but have not yet been formally signed, will be submitted by the steering committee of six banks to the 24 "instructing banks" for discussion tomorrow.

Ratification of tha agreement by both sides is expected to lead to an announcement of the terms of the deal on Monday, with trading in Eurotunnel's shares resuming the following day.

An adviser to Eurotunnel said last night: "The group will not be embarressed to announce this deal to shareholders, but there will be lots of people who will be disappointed. It was a reasonable compromise, with concessions on both sides." Mr Jean-Pierre Mattei, president of the Paris commercial court which has been monitoring negotiations, said yesterday that Eurotunnel and its bankers had reached agreement on the principles of a plan.

"Today, the future of the company is assured. The shareholders no longer have nothing, they will receive something," he said.

Light at the end of the tunnel, Page 17

The news met with a mixed reaction from the various associations representing Eurotunnel's shareholders. Mr Maurice Pege, one of the organisers of the Association of Eurotunnel Shareholders, said: "I don't see who would have benefited apart from the lawyers" from the group passing into some form of insolvency proceedings, the alternative to an agreement.

He said he drew some reassurance from past statements by Mr Patrick Ponsolle, Eurotunnel's chairman, that tha group would not agree to e deal against the shareholders' interests. But he stressed he was waiting to see the details before making any judgment.

Mr Jean Salwa, deputy head of Adacte, the more extreme shareholders' group, said be would have preferred the commercial court to have taken control of Eurotunnel, and that the agreement meant no action would now he taken against the group's bankers, which faced important conflicts of interest.

Negotiations between Eurotunnel and its bankers ran continuously since September 26, with a session ending at 5am on Tuesday before final differences were agreed on e handshake after 6pm on Tuesday.

It emerged yesterday how close the group was to bankruptcy. A senior banker from one of the leading creditor banks admitted that over the past few days he had considered bankruptcy was the more likely outcome. Ha added that the provisions made against the Eurotunnel loan would now probably be sufficient.

An extraordinary general meeting to vote for the plan is unlikely to be held before March, because it must wait for publication of the group's full-year results.

US funeral group raises bid for Canadian rival

By Bernard Simon in Toronto

Service Corporation International, the world's biggest funeral operator, yesterday turned its battle to take over Loewen Group, its rival, into a hostile bid.

The US company raised its all-share offer for Vancouver-based Loewen by US$2 a share to a total of US$2.7bn. Last month, Loewen dismissed SCI's unsolicited US$2.5bn takeover proposal.

The new SCI offer appeared to portend a protracted battle, with the Houston-based company seeking to rally Loewen shareholders against Mr Ray Loewen, the Canadian group's founder and chief executive.

Loewen said it would review SCI's offer. But Mr Loewen, who holds 15 per cent of Loewen's shares, earlier left no doubt that he planned to fight a takeover tooth and nail.

SCI's latest offer of $45 a share was lower than analysts expected. "This is going to be a long, drawn-out process," said Mr George Kellner, a New York arbitrageur. "Everybody thinks [the price] has got to have a fiva in front of it before it's taken seriously," he said.

However, SCI, which has a reputation as an aggressive predator, said it might be willing to raise its offer if Loewen agreed to negotiate a deal based on "pooling-of-interests" accounting.

SCI would avoid costly provisions for goodwill on its balance sheet by structuring the deal as a pooling of interests. However, this structure requires an all-share deal.

SCI said its offer was conditional on acceptance by holders of 75 per cent of Loewen's shares, and the resignation of et least a majority of Loewen's present directors.

The two companies have a combined share of about 15 per cent of the North American funeral business, with 3,750 funeral homes and 600 cemeteries.

Loewen has mounted a vigorous public relations campaign to fend off SCI.

Referring to Loewen's weakened financial condition since it paid $175m last year to settle a Mississippi lawsuit, Mr Loewen accused SCI of "[hitting] us at a time when we are just breaking out of our box".

Jardine Fleming loses big HK fund

By John Ridding end Louise Lucas in Hong Kong

Jardine Fleming's fund management arm has lost an account worth an estimated HK$800m (US$103m) from one of its most famous clients following the revelation of a trading scandal at the Hong Kong investment bank.

The Hong Kong Jockey Club, which has a monopoly on gambling in the territory, said yesterday it was withdrawing one of the three funds it had with Jardine Fleming.

The move comes as it seeks to stem an outflow of funds and recover from revelations in August that Mr Colin Armstrong, a fund manager, had diverted profitable clieot trades to his own account.

Mr Paulus Lee, jockey club finance director, said two other accounts would remain with Jardine Fleming but be kept under review. He seid reforms implemented by the bank appeared positive.

A senior Jardine Fleming official has said between US$50m and US$100m had been withdrawn from the fund management arm since the affair, while an estimated HK$3bn was considered vulnerable. However, the company, which has about US$21bn under management, expected more than US$1bn in new funds from Japanese clients.

The Jockey Club said the withdrawal was a result of the trading scandal. "When we notice anything irregular then we need to review our own situation," said Mr Lee. "We are sending a signal not just to Jardine Fleming but to other fund managers as well."

He said the Jockey Club had not been invested in the three funds disadvantaged by Mr Armstrong, who has since left.

Endesa puts $1bn Chilean power deal on hold

By Tom Burns in Madrid

Endesa, the Spanish utility, has temporarily abandoned a $1bn acquisition in Chile that would have gained it a big platform in Latin American electricity generation and distribution.

The acquisition had centred on the purchase by Spain's dominant generating group of a controlling stake in Enersis, the holding company which controls Endesa (Chile), the country's main electricity supplier, and has masterminded its expansion into Peru and Argentina.

Figures close to the talks yesterday said both sides had agreed "to walk away" from the negotiations but the deal had not irretrievably broken down.

"They had given themselves a time frame to complete the deal and when the time was up they agreed to retire to their winter quarters," they said.

Tha failure to complete the acquisition represents a setback for the Spanish group in what would have been its largest investment to date and the backbone of an ambitious expansion strategy in Latin America. "It would have been a very good step forward for Endesa," said Ms Isabelle Hayen, an analyst at Goldman Sachs investment bank, in London.

In common with the Chilean utility, Endesa has established a firm presence in Argentina and Peru, where it spent $286.5m last year building up genaration and distribution assets. Had the negotiations been successful, the Spanish group would have become the dominant foreign electricity company in Latin America.

The main problem was said not to be price – which would have been in the $900m-$1.1bn range – but the details of the partnership between the two utility companies and, in particular, the complexity of Enersis' shareholding structure. Endesa, which was advised by the Madrid merchent bank Santander Investment, had hoped to gain control of Endesa (Chile) by buying into portfolio companies, or *chispas*, which have big stakes in Enersis.

However, the share price of the *chispas*, which were created by employees in Chile's electricity sector st the time of the domestic industry's privatisation, becama extremely volatila last month as the negotiations entered their final round.

UPM-Kymmene eyes listing on Wall Street

By Greg McIvor in Helsinki

UPM-Kymmene, Europe's largest pulp and paper group, is considering a New York listing as part of a strategy to raise its profile in North America.

Mr Juha Niemelä, chief executive, said in an interview that the Finnish group was "actively considering" floating its shares on Wall Street, although no decision had been taken and there was as yet no timetable.

"It is e possibility ... we want to be in the world's biggest capital markets and we must be known there. [A listing] is the best way of getting known," he said.

The move would be a logical step for UPM-Kymmene, formed one year ago by the merger of Finnish rivals Repola and Kymmeoe. As the world's leading magazine paper producer and fourth largest in newsprint, its closest competitors are located chiefly in North America.

UPM-Kymmene is currently listed in Helsinki and is traded in London via the Seaq International system.

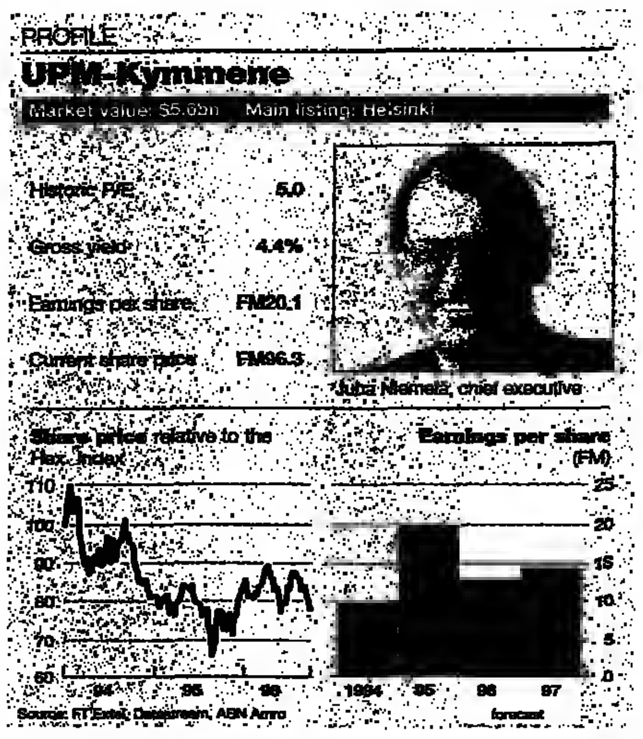
Mr Niemelä said the group was examining the option of e share buy-back as e method of improving shareholder value – a device which had particular merit in an industry as cyclical as pulp and paper.

UPM-Kymmene would be studying the outcome of Finnish government plans to make share repurchases more advantageous for companies.

Outlining the company's strategy, he said an important priority was to improve the balance sheet. The group's financial position has been enhanced by e reduction in working capital and some debt restructuring following the merger, hut gearing of 105 per cent remains high.

"I would like to see gearing levels of 70 per cent. Our US competitors are well under 100 and the best is close to 50," Mr Niemelä said, adding that he wanted to raise the group's return on capital from the current 13 per cent to an average 15 per cent over the pulp and paper cycle.

Weak demand and soft prices for pulp and paper grades are expected to push UPM-Kymmene's earnings lower in the second four months of the year, compared with the first four-month period. Metsä-Serla, one of UPM-Kymmene's two big Finnish competitors, warned last week that it would make e loss for the May to December period.



Juha Niemelä, chief executive

Mr Niemelä said it was still unclear when the predicted upturn in the industry would take bold, and he did not expect the recovery to be rapid.

But he said there had been "promising indications" of stabilising pulp inventories in North America, and there was a good chance that pulp prica increases planned to take effect this month would prove sustainable.

US trader turns his sights on Siparex

By Andrew Jack in Paris

A leading US arbitrageur and his French investment partner yesterday announced they had acquired a significant holding in a French financial services company, in an effort to improve return to shareholders.

Mr Guy Wyser-Pratte said he and Verneuil Finance had acquired more than 10 per cent of the shares in Siparex, e Lyons-based venture capital company, with the aim of forcing it to buy back some of its shares.

The action comes after he said last week that he had bought more than 6 per cent of the shares in Strafor-Facom, e diversified office equipment and engineering group based in Strasbourg.

Mr Wyser-Pratte said he wanted Siparex to use some of its surplus cash to buy back one-third of its shares et FFr150 each, to redece the significant discount at which they are currently trading to its net asset value of FFr169.

He also said he was pushing for Siparex to change its legal statutes from a "commandite en action" into an ordinary "société anonyme" company.

Mr Dominique Nouvellet, chairman of Siparex, said last night he was "serene" ebont the bid and was always willing to talk to shareholders. But he stressed thet in the long-term it was far better to reinvest cash in new investments than to reimburse shareholders.

He also emphasised that any change in strategy would have to be epproved by the shareholders in Siparex Associés, which runs the group through its "commandite" status, and which include Michelin and Peugeot.

Mr Wyser-Pratte has built np e reputation in e number of proxy battles in the US designed to increase shareholder valne, and was involved in the takeover battle for Northern Electric, the UK utility, in 1995.

He has also been involved in a number of deals in France in recent months, including two attacks on CIP, a quoted investment company controlled by Banque Nationale de Paris, and an abortive ettempt to raise the takeover price offered by Paribas in its bid to acquire the holding company Navigation Mixte.

His latest campaign began when he announced last week that he had taken a stake in Strafor-Facom with the idea of forcing the group to split into two separate quoted companies, inspired by the demerger earlier this year of Chargeurs, the textile and media group.

Pechiney employees fight cost-cutting

By David Owen in Paris

Yesterday, the lunchtime peace and quiet of La Défense, the futuristic commercial district of Paris and home to many of France's largest companies, was shattered by 1,000 or more Pechiney employees. They were demonstrating against the aluminium and packaging group's cost-cutting programme.

The cuts – known as project Challenge – aim to remove FFr4bn ($774m) from the company's cost base by the end of 1998, equivalent to about 20 per cent of overall costs excluding raw materials. They will lead to e reduction of between 4,000 and 5,000 in the company's 37,000 worldwide staff and e 17 per cent reduction in the wage bill. Management says this would put the group's earning capacity on e par with that of its strongest competitors.

Ms Melanie Hucherard, analyst with Goldman Sachs, says Pechiney's performance is "significantly behind" its main North American rivals on an operating margin basis. In 1995, these competitors achieved margins "in the low teens", against just over 5 per cent for Pechiney.

But Ms Hucherard is confident the aims of the Challenge project will be echieved. She says this would allow the group to catch up with the North American producers, assuming they make efficiency improvements of their own of no more than an average of FFr500m e year.

In scenes that are becoming familiar across the country as broad swathes of commerce and industry restructure to improve competitiveness, the demonstrators marched rowdily from the late President François Mitterrand's Grande Arche to Pechiney's squat headquarters, banging oil drums and dropping firecrackers.

Once assembled in front of the building, men and women in grey smelter suits used cardboard stencils to spray-paint hundreds of human outlines on the ground in representation of those they said would lose their jobs.

"Long live Riouperoux" was daubed in red paint on the company's front door – a reference to the solitary French plant expected to close as e result of the cuts. There were inevitably chants for the resignation of Mr Jean-Pierre Rodier, Pechiney chairman.

They had come from all corners of France, reflecting the broad geographic spread of the company's main production facilities, leaving by coach and train from Alsace and Annecy as early as four in the morning.

Their determination should act as another warning to hard-pressed government ministers of how carefully they will have to tread in overseeing the reshaping of France's industrial landscape at a time when the jobless rate is et e record 12.6 per cent.

KGHM facing rough ride to market

Political tension, union opposition and weak prices threaten copper group's float

The privatisation of KGHM, the Polish copper producer, is set to be stormy. The sale, Poland's biggest, is being buffeted by opposition from unions – which want to block wage cuts – and weak copper prices.

Earlier this week, the advisory team – UBS, BZW and the Polish Wielkopolski Bank Kredytowy – signed a final contract putting the privatisation on track.

However, the public offer, which is expected to see about e quarter of the company's equity placed on stock exchanges et home and abroad, risks becoming e hostage to political tensions.

Ultimate responsibility for the sale, expected to value the company at about $1.5bn, lies with Mr Miroslaw Pietrewicz, the head of the state treasury. He is a mild mannered ecooomist from the Polish Peasant party (PSL), which has shown little enthusiasm for privatisation to date.

Mr Wieslaw Kaczmarek, the outgoing privetisation minister, has agreed to serve as his deputy with responsibility for privatisation in the treasury, which will also oversee state-owned companies. He has been pushing for the KGHM sale.

Politics is already rearing its head et KGHM itself, where the workforce is split between the Solidarity and the former communist OPZZ unions.

The unions are jockeying for shop-floor support by threatening to block management's restructuring efforts. Demands for wege rises greater than the 21.8 per cent increase promised this year to match inflation are also being voiced.

The low copper price, presently et $1,950 a tonne compared with an average of $2,937 last year, leeves KGHM management, led hy Mr Stanislaw Slewierski and Ms Katarzyna Muszkat, the chief financial officer, with no spare funds to raise wages – which account for ebout 30 per cent of costs. Last year the company and its subsidiaries reported net profits of 513.7m zlotys ($183m).

The management's strategy is to put all services – except the main mining and smelting operation at KGHM's three mines and two smelters – into separate KGHM subsidiaries.

Employees in the subsidiaries no longer benefit from the generous KGHM employees' collective wage agreement. This agreement had taken the average gross wage at the company to 1,960 zlotys a month – more than twice the netional everage.

The restructuring also gives KGHM management the option of bringing in outside contractors, to do cleaning work for example, if they can compete on price with the new service companies.

"Up till now, because of the collective wage deal, we've had office cleaners on miners' pay scales," says Mr Stanislaw Krajewski, the menagement member responsible for the restructuring.

Employment at KGHM has fallen from 41,000 to 27,000. At the same time, 15,500 people work in the subsidiaries.

KGHM management now plans to push at least a further 3,500 people into the new units, and it is this which the unions want to block.

Already the 1,760-strong transport department has voted to resist being turned into a separate company.

In response, management has warned that politically explosive lay-offs ere the only alternative to the restructuring plan.

Christopher Bobinski

EUROPEAN NEW DIGEST

NCM in Danish export credit deal

The big Dutch credit risk insurer, Nederlandsche Credietverzekering Maatschappij (NCM) is to take control of the Danish state's export credit risk company, EKR Kreditforsikring, from January 1 1997, according to an agreement between the state and the company. NCM acquired a 25 per cent stake in EKR in April last year. The agreement is subject to parliamentary approval and no financial details were released.

EKR was set up in the 1980s to take over commercial export credit risk from the government's Export Credit Fund, which continues to cover business carrying a political risk. EKR has premium income of about DKr150m ($25.6m). The Dutch insurer also has companies in Sweden and Norway. *Hilary Barnes, Copenhagen*

Israel threat to British Airways

Israel's Civil Aviation Authority (CAA) is threatening to take legal action against British Airways as El-Al, the national airline, faces an increasingly intense price war with foreign carriers. The CAA's threat was made after British Airways earlier this week offered e promotion package giving passengers a second ticket at half price for certain destinations. Earlier, Arkia, Israel's domestic carrier, had announced e promotion offering passengers two tickets to London for the price of one.

British Airways, which this year became the second-largest foreign carrier to Israel after TWA, said it was surprised by the CAA's decision and insisted it "always acts in accordance with the regulations". The CAA had threatened to take legal action e year ago – again over pricing policy – but dropped the threats. However, the price war has intensified recently as airlines have striven to fill empty seats. El Al is expected to report profits of $40m this year against $15m last time. *Judy Dempsey, Jerusalem*

Austrian insurers to merge

A merger between the Austrian insurers Bundesländer and Austria-Collegialität will create Austria's largest insurance group with annual premium income of Sch38bn ($3.6bn). The supervisory boards of the two companies have approved e proposal to set up e joint holding group at the beginning of next year. Bundesländer's shareholders will own 51 per cent of the new holding company, even though it is nearly three times as large as Austria-Collegialität. But Bundesländer has been financially troubled in recent years and was eager to find a partner ahead of the full liberalisation of the European insurance market.

Bundesländer is currently majority-owned by the large Raiffeisen co-operative group, but also has some preferred non-voting shares outstanding. Austria-Collegialität is itself the product of a merger of two mutual insurers.

Austria's dominance in the new group is also reflected by the fact that its chairman, Mr Herbert Schimetschek, will be the head of the new holding company. *Eric Frey, Vienna*

Heavy demand for Cimpor offer

Demand for a secondary global offering of Cimpor, Portugal's biggest cement company, is even greater than for a record-breaking offering of Portugal Telecom in June, bankers said yesterday. At the end of the first week of pre-registration for the domestic retail tranche alone, more than 70,000 individuals had placed orders for more than 63m shares. A total of 37.8m shares are being sold, of which about 55 per cent are being offered directly to international institutional investors. *Peter Wise, Lisbon*

Carrefour sales ahead 5.7%

Carrefour, the French retail group, said it posted sales of FFr124.6bn ($24.1bn) in the nine months to September, up 5.7 per cent from a year earlier. Sales in France were FFr73.9bn, up 2.5 per cent. *AFX News, Paris*

Valeo shows growth

Valeo, the French automotive components group, posted sales in the first nine months up 16.7 per cent to FFr21.5bn ($4.2bn). Sales rose 12.8 per cent on a like-for-like constant-consolidation basis in the first nine months versus the same period of 1995, after e first-half rise of 10.7 per cent. *Reuter, Paris*

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 02.10.96: Pool purchase price £/MWh	Final Prices for Trading on 05.09.96: Pool purchase price £/MWh	Final Prices for Trading on 05.09.96: Pool selling price £/MWh
0030	11.71	8.89	8.89
0100	11.71	8.89	8.89
0130	11.71	8.89	8.89
0200	11.71	8.89	8.89
0230	11.71	8.89	8.88
0300	11.71	8.89	8.89
0330	11.71	8.89	8.89
0400	11.71	8.88	8.88
0430	11.71	8.88	8.88
0500	11.71	8.84	8.84
0530	9.02	8.89	8.89
0600	9.06	9.00	9.00
0630	11.75	9.00	9.00
0700	15.90	9.04	9.04
0730	16.84	12.95	14.86
0800	18.05	13.96	16.17
0830	24.70	15.98	18.74
0900	25.58	21.49	25.77
0930	32.75	29.14	35.27
1000	40.37	37.78	45.49
1030	40.23	49.58	58.94
1100	32.81	58.51	70.55
1130	33.19	67.97	81.31
1200	33.48	68.47	81.92
1230	33.09	62.72	74.92
1300	25.18	52.74	63.08
1330	24.08	41.17	49.25
1400	17.22	34.35	41.41
1430	17.13	31.39	37.81
1500	17.08	30.08	36.22
1530	17.08	29.97	36.15
1600	17.46	34.37	41.80
1630	25.28	39.98	48.30
1700	39.57	48.03	56.75
1730	39.78	41.45	49.73
1800	39.26	26.49	31.85
1830	29.70	18.08	21.33
1900	45.28	10.95	10.95
1930	49.81	10.49	10.49
2000	46.95	13.10	13.10
2030	27.79	26.13	29.72
2100	25.42	26.44	30.00
2130	16.85	23.46	26.41
2200	16.94	14.36	16.55
2230	15.63	13.01	14.93
2300	15.89	12.84	14.72
2330	11.73	12.85	14.53
2400	11.77	12.65	14.52

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0116 245 6782 between 8.30am and 5.15pm Monday to Friday.

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LIGHT AT THE END OF THE TUNNEL

■ THE LAST LAP – By Geoff Dyer

Still on the rails, but not yet safely in the station

The dramatic refinancing deal which Eurotunnel thrashed out on Tuesday evening with its leading banks represents a victory for tha French court procedure of mediation between companies and creditors.

When the French commercial court announced in January it was considering appointing "mandataires ad hoc" to assist the Eurotunnel negotiations, it caused near panic among some UK bankers who saw it as a prelude to bankruptcy. Technically part of French pre-insolvency procedures, the mandataires perform an informal role in facilitating talks between two sides. If they fail, however, administration can follow.

Yesterday Mr Jean Pierre Mattei, the court President, was in little douht it was this intervention that made a deal possihle. "If things dragged on, failure would have been probable," he said. "I reminded everyone with firmness that the timetable had to be kept and everyone had to face up to responsibilities."

The Anglo-French group had been close to a deal with the six banks in the steering group for several months. However after Mr Mattei said he would not re-appoint the mediators when their contracts expired on Monday, it was the implicit threat of administration that forced a deal.

The agreement was reached after marathon negotiations that went on into Monday night and concluded after 6pm yesterday.

Both sides always stressed they wanted to avoid administration, which would trigger an unprecedented battle for jurisdiction between the UK and France over control of the company.

For Mr Patrick Ponsolle, the co-chairman who now becomes executive chairman, the hard work is far from over. So far agreement has only been reacbed with the six banks in the "steering group": it must be approved hy other banks and shareholders.

That means all 225 banks in the syndicate must vote for the proposals, which will lead to them writing off mnch of their debts. The banks will be told rejection will almost certainly lead to administration.

However the experience of previous refinancings shows just one institution can jeopardise the whole plan. This year, GPA, the Ireland-based aircraft leasing company, nearly abandoned a $2.7bn refinancing, which could have led to liquidation, after ohjections were raised hy Pennsylvania Puhlic School Employees Retirement System.

It will also take several months to prepare a circular for Eurotunnel shareholders to vote on at an extraordinary meeting. Under UK law, the proposals need 75 per cent approval from shareholders by value and two-thirds approval is needed in France.

And the sbareholders will take a good deal of persuading, as the refinancing plan will result in substantial dilution of their holdings.

The package is expected to include a debt-for-equity swap which will leave the banks owning up to a 49 per cent of the group.

At the price of 113½p, at which Eurotunnel shares were suspended on Monday, this would mean swapping deht worth around £1hn. If the conversion price is equivalent to the par value of the shares, currently 163.7p, this figure would rise to £1.5bn.

The deal is also likely to involve e substantial convertible bond issue, worth £2hn-£2.5bn. The company has been pushing for a conversion price above 265p, the 1994 rights issue price. Analysts estimete thet at this level shareholders could end up owning less than e third of the equity, if the bonds are converted.

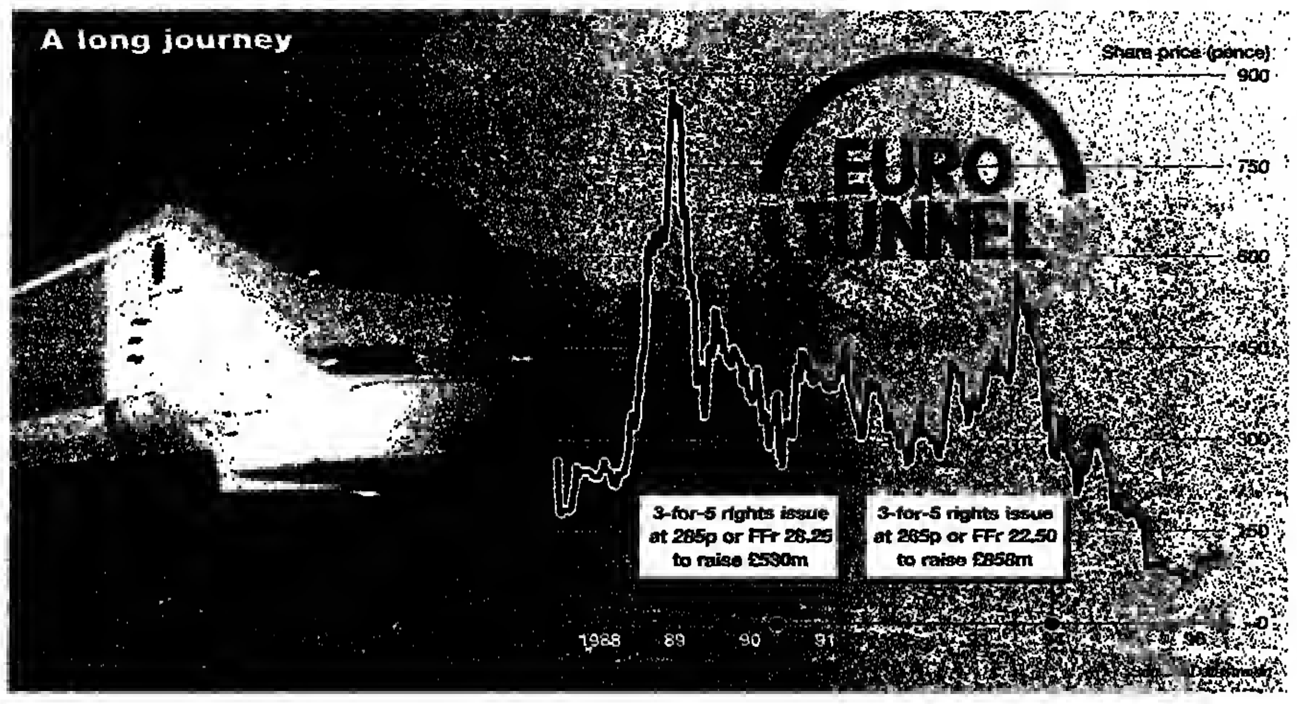
Will the refinancing plan completely solve the group's financial crisia? There is some scepticism. If the £9bn debt hurdeo is reduced by £4bn, as many expect, the group will still face an annual interest hill of £400m at its previous interest rate of 8 per cent.

Although the interest rate is likely to fall as part of the plan, this leaves little room for manoeuvre next year wheo operating profits hefore depreciation are expected to he not much over £300m. "There will be no margin for error," said Mr Jeff Summers, analyst at Klesch & Co, the debt trading firm.

For shareholders wondering when they will receive e dividend, it looks like e long wait.

■ THE BATTLE FOR THE PASSENGER – By Charles Batchelor

The forecast: rising fares in the Channel



Eurotunnel's outline agreement with its bankers could lead to an end to the fierce price competition on cross-Channel routes, ferry operators said yesterday.

But it will not reduce underlying pressure on ferry companies to cut overcapacity on the Channel, and talks aimed at pooling resources are continuing.

At present Eurotunnel can effectively ignore its debt burden when setting ticket prices, but a capital restructuring should mean it will be subject to more conventional financial criteria, the ferry companies believe.

"It is one thing to price your way into a market for a certain amount of time, but Eurotunnel has been doing it indefinitely because they can ignore £2m a day in interest charges," Stena said. "If they have to follow more normal rules of operation, hy taking account of their debts, this will stabilise things."

If a final agreement is reached between Eurotunnel and its bankers, this also removes the prospect of what ferry operators have dubbed "the nightmare scenario" of the company collapsing and its new owners slashing prices still further.

"People always feared that if Eurotunnel were to go into liquidation and its debts were to be written off then someone could come in and cut fares in an aggressive fashion," commented one ferry operator.

"But we now assume that Eurotunnel will have to present a credible business case to its bankers with some stabilisation of the fares situation."

The ferry companies have cut prices so much they make no profits on ticket sales and have relied for the past two to three years on duty and tax free sales.

Eurotunnel has seized 40 per cent of the cross-Channel market for hoth passenger and freight journeys since opening in May 1994. P&O has 30 per cent of the market, Stena has 20 per cent, while most of the rest is accounted for by Hoverspeed, a Sea Containers subsidiary. About 21m people cross between Dover and Calais each year.

But even if ticket prices stabilise, it is unlikely there will be significant increases given the capacity to be filled. Instead of rednclng sailings, as was widely expected when the tunnel opened, the ferry companies have put on more vessels and increased the number of daily departures.

The best they can hope for is the end to further downward pressure on prices and the phasing out of special offers, some of which allow foot passenger return journeys for £1 and return car journeys for £5.

The ferry companies say they remain committed to negotiations about capacity reductions and pooling of activities. They could align fares or go for a full-scale merger.

Following a decision in July by the UK competition authorities to allow P&O and Stena to discuss pooling arrangements, the two companies and others on Channel routes have held talks.

They are keen to reach an early agreement so that arrangements can be in place for the spring season. The pressure on ferry company margins has already led to changes in ferry operations along the length of the Channel.

RMT, the state-owned Belgian ferry company that operates between Ramsgate and Ostend, last month announced plans to cease trading with the loss of 1,300 jobs. This prompted its partner, Sally Line, to reach a new co-operation agreement with Holyman, an Australian operator of fast ferries. This followed a decision by Stena to seek freedom of manoeuvre by ending a pooling arrangement with SeaFrance.

■ NEGOTIATIONS – By Andrew Jack

Celebration but no champagne

There was no champagne at the lunch hosted yesterday by Eurotunnel's joint chairmen to celebrate the accord.

Mr Patrick Ponsolle made the message clear to his staff that their work was far from over. He said time was so pressed they would even have to choose between the cheese course and dessert.

After more than a year of tense negotiations, both sides are preparing final details of an agreement to be made public on Monday.

The discussions that concluded with a handshake on Tuesday came after an intensifying rhythm of meetings since October. These meetings were held every few days alternately in London and Paris, before intensifying in July and accelerating into full-time sessions.

Sources close to Eurotunnel said yesterday one of the challenges had been the cumhersome nature of decision-making by banks, which needed approval from top executives and other banks they represented at each stage in the talks.

The banks, by contrast, believed Eurotunnel was taking an unreasonably tough line, particularly in view of the fact that if the group had been governed under English law, they could simply have called in a receiver.

That was less the case for French banks, which have fewer rights in insolvency but which were content to take the same line as their colleagues to minimise their costs in the restructuring.

But what partly helped the Eurotunnel case was the fear of the alternative to an agreement: an unprecedented court-managed insolvency procedure triggering conflicts between English and French law.

Underlining that threat was the presence of the Paris commercial court, and the two "mandataires ad hoc" appointed to the negotiations on its behalf.

Mr Jean-Pierre Mattei, the head of the court, had a reputation as a pragmatist who was unlikely to play strictly by the letter of the law. He had the power ultimately to force through an agreement.

Eurotunnel and its leading bankers will now need to fortify themselves for the coming months' struggle to persuade shareholders and other bankers that they did reach the best possible deal.

■ SIR ALASTAIR MORTON

The old campaigner

It seems hard to believe hnt soon we may not have Sir Alastair Morton to kick us around any more, to misquote former US president Richard Nixon.

A refinancing agreement between Eurotunnel and its bankers signals the departure of Sir Alastair as co-chairman of the Channel tunnel company. His replacement will be Mr Robert Malpas, chairman of the Cookson industrial materials company.

Contractors, bankers, equipment snppliers, railway companies, politicians and journalists, who bave all been on tha receiving end of Sir Alastair's broadsides, will view his departure with mixed feelings.

His combative negotiating style angered his many opponents. They resented the freqnent use of the media, calculated or not, to puhlish provocative statements to undermine their position. He has threatened to sua the contractors, the British and French governments, the state-owned railways and railway rolling stock suppliers.

Mr Joe Dwyer, chief executive of the Wimpey construction group and a former head of the UK contractors cousortium which built the tunnel, wryly commented: "Surely we could *not* all have been in the wrong." Yet even Sir Alastair's fiercest critics will admit it would have heen difficult to complete the project withont him.

Eurotunnel's senior management, when he arrived as chief executive in 1987, was in disarray, with institutional investors threatening to snnh vital share issues without which hank loans would have collapsed. Sir Alastair's tireless campaigning, halped by arm twisting hy the Bank of England, secured the funding.

In his efforts for sbareholders, Sir Alastair has also bruised the feelings of bankers with hlunt speaking and what some describe as a gung-ho attitude. His driving force was essential during the darkest days of the project, hnt different skills may now ha required.

Andrew Taylor

■ PATRICK PONSOLLE

The new whiphand

If one man more than any other can be said to be responsible for the structure of the agreement, it is Mr Patrick Ponsolle.

While Sir Alastair Morton, joint chairman, was largely responsihle for arranging Eurotunnel's refinancing over the past few years, Mr Ponsolle has increasingly been the individual charged with restructuring its debt.

The choice is logical because Mr Ponsolle, 52, is a formar hanker, and well equipped to deal with his ex-colleagues on the other side of the negotiating table.

After attending the alite Henry IV school and then the top civil service training college Ecole Nationale d'Administration in Paris, he worked at the French ministry of economics and finance and held a series of other senior positions in government during the 1970s and early 1980s.

He joined the flagship holding company Snez in 1983 and took a series of top financial jobs within tbe group and its banking arm Indosuez before coming to Eurotunnel in 1994.

Since then, the balance of power within the group has shifted perceptihly from the UK to France.

Mr Ponsolle took the lead for Eurotunnel in the discussions that followed the freezing of its interest payments in September last year. His influence was clear in the move towards a French-style approach to the negotiations.

This was symbolised by the decision this spring to involve the Paris commercial court, which in consultation with him appointed the two "mandataires ad hoc" to ease discussions.

Mr Ponsolle gained a reputation as a very tough negotiator and was at times vilified by the banks. Since the summer, he bas hean increasingly bard on his staff as the deal reached its final stages.

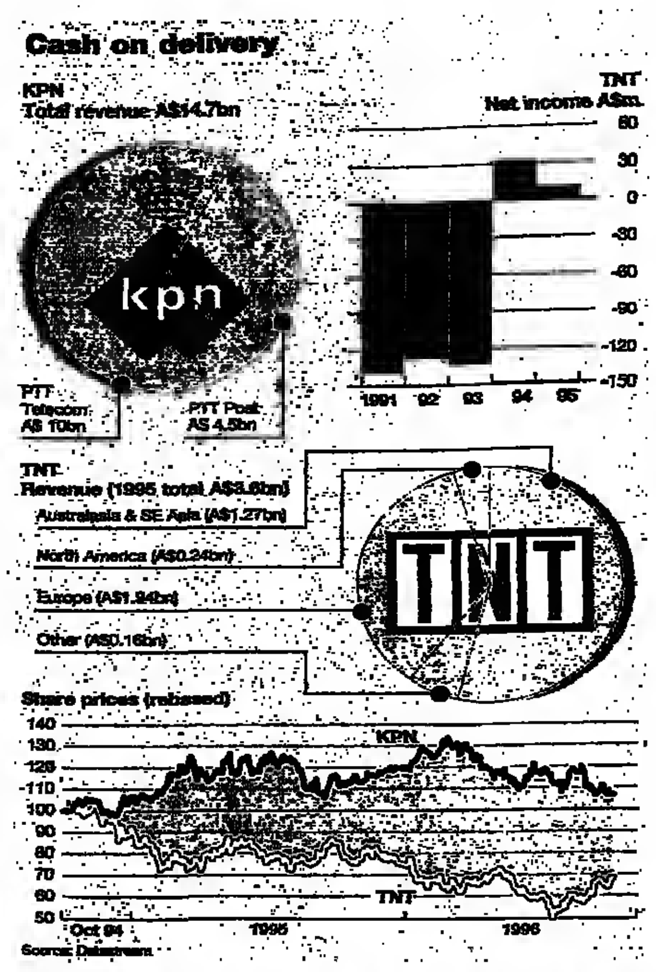
He has said of himself that he enjoys extremely complex prohlems and that stress calms him down. He certainly performed well in front of bundreds of irete Eurotunnel shareholders at the annual meeting in June.

Andrew Jack

COMPANIES AND FINANCE: ASIA-PACIFIC

Wrapping up the old world with the new

KPN's A$2bn takeover of TNT reflects the groups' changing philosophies



Their origins could hardly be more different. KPN was until 1989 a Dutch government department, shuffling mail around a modest-sized country and running a complacent telephone monopoly. TNT started life as a one-man trucking business in mid-1940s Australia, its entrepreneurial thrust later extending beyond even that vast expanse.

In 1967, the then Thomas Nationwide Transport merged with the Alltrans transport business built up by Sir Peter Abeles, the rags-to-riches tycoon who arrived in Australia from Hungary in 1949. For the next two decades the colourful and controversial businessman ruled TNT in autocratic style, taking the group into important European markets, but also into a series of joint ventures outside its main business areas.

But after a boardroom row three years ago, Sir Peter and four other directors walked out of a group which was by then heavily indebted and lossmaking.

So it was thet the bureaucrats from the old world – themselves transformed by privatisation into managers of one of Europe's best-regarded utilities in its sector – were yesterday able to win TNT's agreement on a A$2bn (US$1.6bn) takeover.

Following its shift to corporate status, KPN was privatised in two tranches, though the Dutch government retains a 45 per cent stake. Its executives inherited a company which not only held its postal side intact – unlike in countries sucb as the UK – but where that division did not significantly hold back the aspirations of its telecoms side.

PTT Post, as the postal unit is known, had over many years built a commanding presence in "remailing" – taking in bulk consignments from foreign corporate clients which it then wraps, addresses, labels and ships as needed to a specified customer list.

It went on to develop markets in overnight and express delivery services, which was where KPN and TNT first met. The Sydney-based company owns half a joint venture called GD Express Worldwide, which delivers documents, parcels and freight, mainly within Europe, under the trading name TNT Express Worldwide. Through a joint venture, KPN owns a further 27 per cent, increased from 9 per cent in June as other European and Canadian postal utilities sold out.

The sole remaining shareholder is Swedish Posten, which now has to decide whether to stay in the Amsterdam-based grouping with its influence diluted by the merger. Bot GD Express, which employs some 13,500 people worldwide, is likely to have formed a main part of the "long-standing strategic discussions" over combining the businesses to which KPN and TNT yesterday referred.

The purchase will be financed in large part by a Fl 2.25bn ($1.3bn) revolving credit arranged and underwritten by Goldman Sachs, the investment bank which is also acting as KPN's adviser. Standard & Poor's the US credit rating agency, yesterday reaffirmed its AA+ rating for the Groningen-based company, noting that its "balance sheet and core cash flow generation remain very strong".

However, S&P also warned that the acquisition "will increase the group's exposure to riskier operations", and said it did "not expect KPN to make further sizeable acquisitions until cost saving and synergy benefits from the TNT acquisition are realised".

The company declined, however, to offer any such assurance. "We have a good cash position, so there is still room for the telecoms side to go ahead as well," said one official. So far this year, PTT Telecom, a founder of the Unisource European grouping, has hought stakes in Irish and Indonesian phone companies. The aim is to replace revenue lost when its domestic fixed-line monopoly in the Netherlands ends next July.

TNT, which is being advised by Macquarie Corporate Finance of Australia, has over the past three years stabilised its finances and pruned back to concentrate on the time-sensitive freight and logistics operations. It recently announced it would wind down in general freight operations in Australia, and has been sorting out problems at overseas subsidiaries. Nevertheless, in the year to June, TNT's operating profit before abnormal items still fell heavily.

Gordon Cramb and Nikki Tait

ASIA-PACIFIC NEWS DIGEST

Shareholder bonus at Sun Hung Kai

Sun Hung Kai Properties, one of Hong Kong's biggest property groups, yesterday posted a 6.5 per cent increase in net profits, from HK$10.36bn to HK$11.04bn (US$1.4bn), for the year to June 30. The results were below market forecasts of HK$11.14bn. Mr Walter Kwok, chairman, said the directors were proposing to award shareholders a special cash bonus of 38 cents a share. He also forecast a strong performance in the current year.

"The continuing buoyant property market in Hong Kong should pave the way for successful sales of properties for the year. Barring unforeseen circumstances, the group's results for the coming year will show a satisfactory improvement," he said. The company also confirmed thet SmarTone, the mobile phone operator in which it has a 40 per cent stake, planned an initial public offering. Analysts estimate SmarTone could raise some HK$1bn.

While Sun Hung Kai has one of Hong Kong's biggest property portfolios, with a landbank of 44.6m sq ft, it is increasingly taking on infrastructure projects. Mr Nichols Pang, property analyst with ING Baring Securities in Hong Kong, said the switch was an attempt to diversify the company's earnings base in readiness for full capacity in the property market. Earnings per share for the reporting period rose 5.2 per cent, from HK$4.46 to HK$4.69.
Louise Lucas, Hong Kong

Sale talk hits Cepa shares

Shares in Consolidated Electric Power Asia fell sharply yesterday on speculation that its parent, Hopewell Holdings, had clinched the sale of part of its interests in the company. Cepa's shares closed at HK$15.40, down 4.2 per cent on the previous day's close of HK$16.05, against a slight rise in the Hong Kong benchmark Hang Seng Index. Traders said the sale share price was at the lower end of expectations, and that this prompted a spate of selling.

Hopewell Holdings, a property and infrastructure company, told the Hong Kong Stock Exchange it was in negotiations with independent parties two weeks ago, but said no decision had been taken on Cepa.

Analysts believe Mr Gordon Wu, chairman, is unlikely to sell Hopewell's entire 60 per cent stake in Cepa. The market doubts his ability to pull off a hig sale, after a number of mooted cash-raising ventures failed to take place.
Louise Lucas

Japanese cement downgrades

The credit ratings of Japan's largest and third-largest cement producers were yesterday reduced hy Moody's, the US credit rating agency. It attributed the downgrading of Chichibu Onoda Cement and Nihon Cement to fears that both companies' profits would suffer from falling prices caused hy industry-wide overcapacity.

However, Moody's left unchanged the rating of Japan's second-largest cement producer, Sumitomo Osaka Cement, hecause it had cut costs more sharply than its largest competitors and its parent, the Sumitomo group, was expected to support it.

Moody's warnings about the cement industry come just two days after it issued an even gloomier prognosis for Japan's chemicals industry.
William Dawkins, Tokyo

US plant for James Hardie

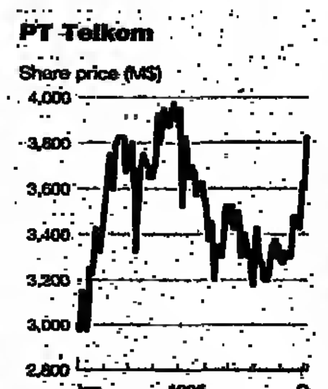
James Hardie, the Australian building materials group, is to build a A$40m (US$31.7m) fibre cement plant at Frederickson, near Tacoma, Washington. It will be the company's fourth US fibre cement plant, after facilities in California, Florida and Texas. The Frederickson plant will be operational by early 1998.
Nikki Tait, Sydney

Oil group restructures debt

Woodside Petroleum, the Australian oil and gas company which is the leading participant in the North-West Shelf project offshore of Western Australia, has refinanced its debt facilities. A US$1.45bn loan has been repaid and replaced by a US$1.2bn facility made up of a US$950m five-year tranche and a seven-year US$250m portion.
Nikki Tait

Deutsche Telekom quiet on Indonesia stake talk

By Michael Lindemann in Bonn



Deutsche Telekom yesterday declined to comment on suggestions that it would buy into PT Telkom, the partially-privatised Indonesian telecommunications group, whose shares jumped on speculation that the German group might take a stake.

However, the Bonn-based telecoms group, which is to be partially privatised next month, already holds a a 25 per cent stake in Satelindo, another Indonesian telecoms company which competes with PT Telkom.

"Theee are market rumours on which we do not comment," the company said.

"However, the idea that we would buy into a competitor of Satelindo, a company in which we already hold a stake, suggests it is pure speculation."

PT Telkom's shares rose Rp125 to close at Rp3,825.

Traders said the shares had been driven higher by strong demand for PT Telkom American Depositary Receipts in New York overnight.

Dealers in Jakarta said investors were buying PT Telkom shares because the possibility of a private placement would make a further public offering of Telkom shares less likely.

PT Telkom's initial public offering was cut in half last year.

"A private placement will eliminate speculation on what will happen [if PT Telkom] sells an extra tranche to the market," said one dealer with a leading foreign brokerage.

Three times this year reports of Deutsche Telekom's Asian acquisitions have leaked out before deals were finalised.

After months of negotiations, the German group in May took a 21 per cent stake in Technology Resources Industries, a Malaysian company which operates a fixed network.

It later took a 35 per cent stake in Islacom, a Philippines group which operates fixed network, mobile and paging services.

A third deal this year in Asia saw the German group take a 25 per cent stake in Shinawatra, a Thai group which also operates fixed network, mobile and paging services.

BankWest ahead of prospectus

By Nikki Tait in Sydney

BankWest, the Perth-based regional bank controlled by Bank of Scotland, yesterday announced an after-tax profit of A$48.3m (US$38.2m) for the six months to end-August, against A$45.9m for the same period last year, once extraordinary items are excluded.

It also said the result was 2.3 per cent higher than the figure included in its prospectus forecast for the 1996–97 full year. In the prospectus – issued when Bank of Scotland floated a 49 per cent stake in BankWest on the Australian stock market earlier this year – BankWest forecast an after-tax profit of A$100.2m for the year to end-February 1997.

The bank said the profits translated into earnings per share of 11.1 cents compared with 10.5 cents last time, before extraordinaries. An inaugural dividend of 8 cents a share will be paid next month, and directors said they were confident of meeting the forecast full-year dividend of 16.5 cents.

During the first half, business lending approvals totalled A$1.18bn, while housing loan approvals reached A$778m. Total loans and acceptances rose 8.9 per cent to A$8.78bn, with total assets increasing 7 per cent to A$10.9bn. Net impaired assets stood at A$29.3m.

However, the bank warned that intensifying competition in the housing loans market had pnt pressure on interest margins, which would be further sqneezed in the second half.

Directors said the Western Australian economy was still benefiting from fairly buoyant conditions in the resources sector. "The boom will no doubt spread to other sectors of husiness in the state, and we expect to reap the benefits of this excellent growth outlook," said Mr Ian Mackenzie, chairman.

Toyota reshapes North American business

By Michiyo Nakamoto in Tokyo

Toyota, Japan's largest manufacturer of motor vehicles, has announced a reorganisation of its North American operations, highlighting the growing global push by one of Japan's most conservative companies.

The company has established Toyota Motor Manufacturing North America in Kentucky to co-ordinate administrative functions previously carried out by various different Toyota manufacturing companies in North America.

The new company will be responsible for business planning, production control, purchasing, legal and external affairs, as well as financing related to Toyota's manufacturing operations in North America.

The move is part of the growing trend among Japanese carmakers to shift production closer to their markets because of high costs in Japan and trade friction.

The company said the reorganisation stems from a need to create a more efficient administrative structure in a market where Toyota has been increasing production significantly, bnt in piecemeal fashion. Sales in the first eight months of this year rose 6 per cent on the same period of last year to more than 800,000 units.

"With the expansion of Toyota's manufacturing operations in North America, it was felt that a company was needed to oversee the administration of the various operations," a Toyota representative said.

"Ten years ago we had no production facilities in the US. But with the start of manufacturing, we have also had to localise development, procurement and testing," he said.

Some functions that have been carried out in Japan, such as production control and business planning, will be transferred to the new North American company.

However, Toyota is not yet prepared to hand over greater independence to its regional operations, the company said. Unlike Honda and Nissan, which have set out a strategy that calls for substantial regional independence, the headquarters in Japan will continue to have control over business decisions affecting overseas operations.

Toyota has announced plans to increase production capacity in North America from 890,000 units last year to 1.2m units in 1998, including capacity it owns jointly with General Motors in California. It also intends to manufacture a North American mini-van and to take on US vehicle makers in the light truck segment.

When production capacity is increased, to 1.2m units, the proportion of cars made locally is expected to rise from 60 per cent to at least 75 per cent, according to Mr Christopber Redl, industry analyst at ING Barings in Tokyo.

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Weaker markets hit Morgan Stanley

By Tracy Corrigan in New York

Weaker financial markets over the summer took their toll on Morgan Stanley's earnings in the third quarter, but better conditions in September should contribute to a recovery in the final three months, the US investment bank said yesterday.

Earnings fell from $1.75 per fully diluted share in the second quarter to $1.27, but were up on tha $1.23 achieved in last year's third quarter.

Group revenues, less interest, dropped from $1.53bn in the sacond quarter to $1.27bn. The figures were in line with market expectations, and shares rose 50 cents to $51⅞ in a stronger market.

Mr Phil Duff, the bank's chief financial officer, said business got progressively worse in June, July and August, and was adversely affected by volatile US markets. Client trading and underwriting had bounced back in September, however.

"There are no disasters here, as was feared during the summer," said Ms Sallie Krawcheck, an analyst at Sanford Barnstein. "The mergers and acquisitions pipeline remains strong."

Morgan Stanley was tha world's leading financial adviser for mergers and acquisitions in the first nine months, handling deals valued at more than $153bn, according to Securities Data. The bank also stands to benefit from tbe backlog of equity underwriting caused by tha postponement of deals during the summer.

Investment banking revenues fell to $431m in the third quarter, down from a second-quarter record of $542m, although it was still the third-best quarter in the bank's history. Trading revenues fell for the second consecutive quarter, while asset management revenues were slightly weaker than in the second quarter, although they were higher than in the same period of last year.

In a move to smooth the succession at the bank, the company also announced the appointment of Mr John Mack as chief executive from June 1 1997. He will remain the investment bank's president, a position he has held since 1993.

The change is designed to allow Mr Dick Fishar, the company's chairman, to stand back from the day-to-day running of the company and spend more time with clients. The next step in the succession plan will be the search for the successor to Mr Mack, who is expected to become the next chairman when 60-year-old Mr Fisher retires.

LTV returns to the diversification trail

US group plans to branch out into new steel technologies and new markets

Three years after a protracted bankruptcy, LTV is about to diversify again. But this time, the US steelmaker promises it will not buy any tennis racquet companies, drug stores or airlines.

Seven years in Chapter 11 saw LTV – once one of the most US disparate conglomerates with interests ranging from *Wilson Sporting Goods* to *Braniff Airlines* – stripped down to an integrated steel producer with two mills in the American Midwest.

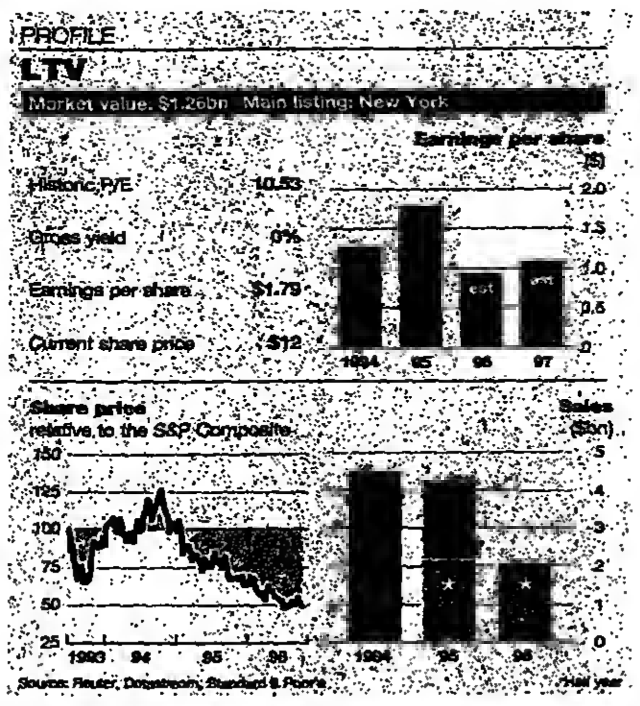
"Now," says Mr Peter Kelly, LTV president, "we're looking for investment opportunities." The company plans to branch out into new steel-making technologies and to diversify geographically. "But it's not as though wa're going into markets we don't understand," Mr Kelly says.

There will be risks, however. Production is due to start early next year at Trico Steel, a joint-venture mini-mill development in Alabama involving LTV (which has a 50 per cent interest), British Steel and Sumitomo, of Japan. As the first traditional integrated steel company in mini-mills - which cast steel from scrap melted in electric furnaces – LTV will be working with technology of which it has no experience. Mini-mills cast steel from scrap melted in electric furnaces.

The Trico project has also enraged tbe United Steelworkers union, which sees an integrated producer investing in what is likely to he a non-union plant. LTV'a workers made "millions of dollars of economic sacrifices to save the company" during the 1980s, says Mr Mike Scarver, a union organiser, but the company is now turning its back on its workers.

LTV retorts that Trico will not take work from the company's existing mills, but will serve a new market in the south. Mr Kelly says the company has also invested heavily to make its mills in Ohio and Indiana more efficient. "That's not an exit strategy," he says.

Earlier this year, LTV also announced its first investment – through a 46.5 per cent interest in a joint venture – in a process for making a scrap substitute: direct reduced iron, or DRI. This is also a new technology, though LTV says the participation of the company that developed the process, Lurgi AG, will increase the chances of success.



Michael Gambardella, an analyst at J.P. Morgan, adds that LTV should not face too many obatacles in its attempts to move into the vanguard of steel industry technology. "There's not a lot of proprietary technology in the steel industry," he says. "Anyone who has the cash can buy it".

In future, Mr Kelly says, LTV also plans to invest in new steel-producing operations overseas, particularly in emerging markets. To limit risks, overseas investments will he made through joint ventures like Trico, Mr Kelly says.

For an industry that has been almost entirely domestic in outlook, this could he a revolution. The sinking dollar and higher prices in Europe enabled US steel companies to lift exports to 7 per cent of sales last year. But that figure has alumped this year with the dollar's recovery.

LTV's expansion highlights the strong cash flow which, in spite of a difficult market, is once again surging through US steel companies. In this respect, LTV is one of the healthiest in the sector, owing in part to tax losses, amassed in the bad years, amounting to $3.8bn at the end of 1995. Last year, it recorded $756m in operating cash flow, or $95 for every ton of steel shipped. That compares with $80 a ton at US Steel, the nation's largest producer, or the $66 a ton at Nucor, the pioneering mini-mill company.

Recent months have been more difficult after a slide in prices. LTV's sales fell 8 per cent to $2.1bn. Pre-tax profit margins tumbled from 8.5 per cent to 3.5 per cent, tbough cash generation remained solid at about $51 a ton.

It is hard to be optimistic about the US steel market. A partial recovery in prices over the summer has done something to repair margins, but a stream of new mini-mills – including Trico – may create over-supply on the domestic market by the eod of the decade.

Against that background, LTV's shares have drifted down to about $12 – more than 40 per cent below their level two years ago. Their future performance is likely to depend increasingly on how well the company deploys its cash in strengthening its position in the world steel market.

"We are the only integrated [steel] company in America that is doing something truly different," Mr Kelly asserts. LTV shareholders will no doubt hope that this time the company's attempts to be different will have a happier outcome.

Richard Waters

Developer steps up Chateau campaign

By John Authers in New York

Mr Samuel Zell, the Chicago property developer, yesterday stepped up his campaign to buy Chateau Properties, a Michigan-based real estate investment trust (REIT), accusing Chateau's directors of attempting to "disenfranchise" their shareholders.

Analysts believe a successful defence by Chateau might defer further hostile bids in the REIT sector, which has a current market capitalisation of $57bn, compared with only $8.7bn in 1990.

Mr Zell's comments come after Chateau revised a plan to merge with ROC Communities, a Colorado-based REIT. The plan exploited the REIT's complex capital structure, which splits ownership between common shareholders and managers, who hold "operating partnership units". These units account for about 60 per cent of Chateau's capital, leading to claims that managers' interests were in conflict with those of shareholders. Conversion of the units into shares normally triggers a tax liability.

Under Chateau's plan, only a simple majority of shareholders are required to approve the deal, rather than the previous two-thirds of all outstanding shares. Also, the tax liability which would normally be created by selling the partnership units – estimated by Mr Zell at $127m – will be transferred to the common shareholders.

Chateau's proposal followed a tender offer by Mr Zell's Manufactured Home Communities valuing the company at $400m in cash. This was due to expire on Tuesday this week. Mr Zell yesterday said it was to be extended to October 23.

But he added he now wanted to start discussions with Chateau's board on the possibility of an offer allowing long-term tax deferral for Chateau's managers.

AMERICAS NEWS DIGEST

Toys R Us buys rival for $403m

Toys R Us, the US toy superstore group, yesterday expanded its new Babies R Us concept by buying the rival Baby Superstore group in an all-share deal worth about $403m. Toys R Us shares rose more than 7 per cent in early trading, by $2¼ to $31.

Toys R Us opened its first Babies R Us store earlier this year, and there are still only three in the chain. In contrast, Baby Superstore has 70 stores in 21 states, and made net profits of $11.7m on sales of $291m last year. Mr Michael Goldstein, chief executive of Toys R Us, said the acquisition would turn Babies R Us into the leading US operator of infant superstores with sales of more than $450m this year. "The combination of these two businesses will provide synergies including lower costs and economies of scale," Mr Goldstein said. "We expect this acquisition to provide incremental sales and earnings growth to Toys R Us immediately following the transaction."

Under the agreement Baby Superstore's shareholders will get 0.8121 of a Toys R Us share for each sbare they hold. But Mr Jack Tate, Baby Superstore's founder and chief executive, will take only 0.515. Mr Tate, wbo holds 46.8 per cent of Baby Superstore's common stock, said be accepted a lower ratio to enhance the returns for other shareholders. However, be will receive more than $140m worth of Toys R Ue stock, making him the company's biggest shareholder. *Richard Tomkins, New York*

Jamaican banks merge

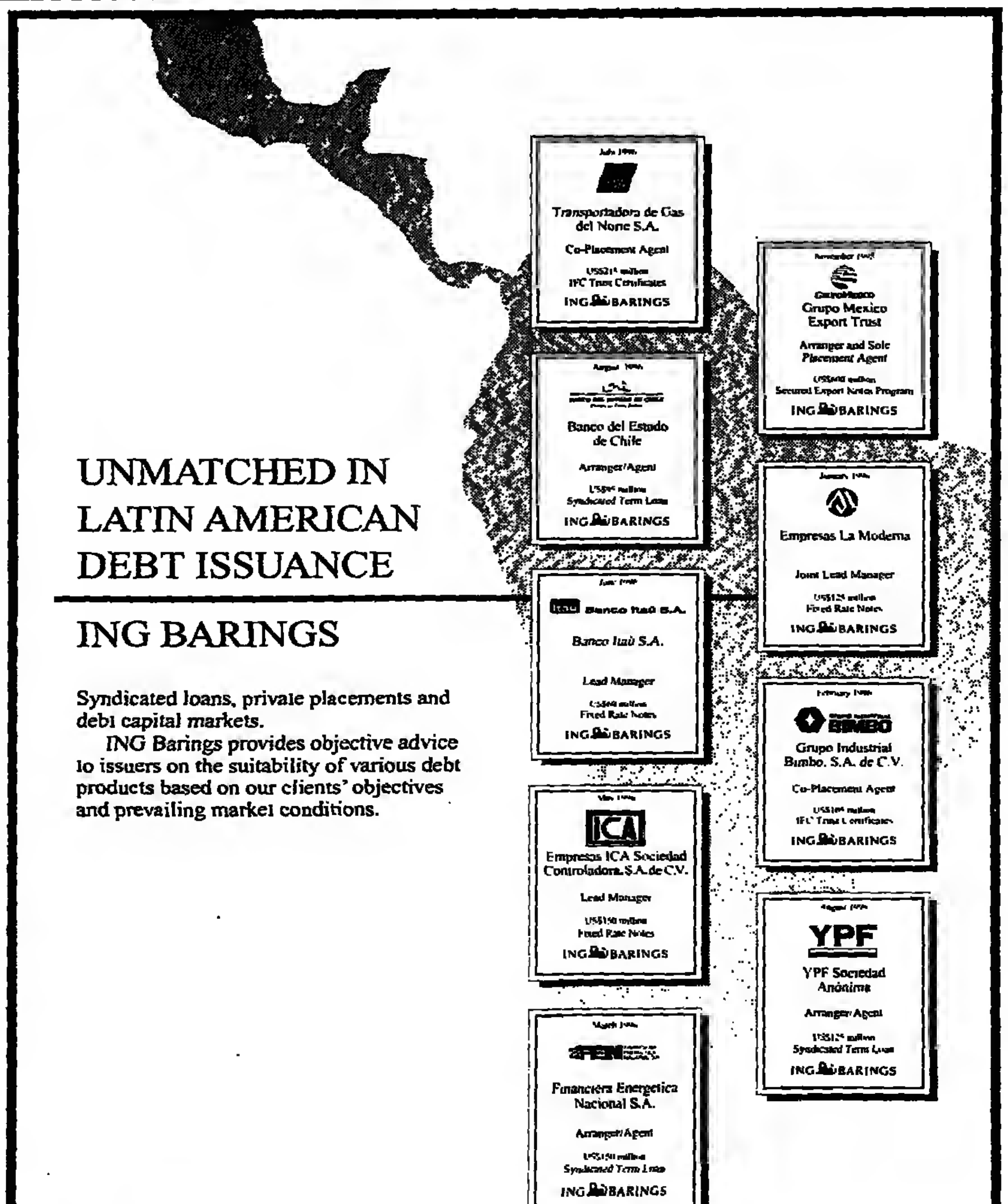
Two Jamaican commercial banks have merged to create the island's largest bank, amid continuing uncertainty over the sector. The National Commercial Bank of Jamaica has been created from the merger of National Commercial and Mutual Security. It has assets of J$53.7bn (US$1.52bn), deposits of J$39.2bn and a loan portfolio of J$19.2bn. Its owner is NCB Group, a financial services conglomerate.

National Commercial was created in 1977 wben the Jamaican government bought the local operation of Barclays Bank, of the UK. It was privatised in 1985. Mutual Security was established in 1985 wben Mutual Life, a life assurer, bought the Jamaican operations of Royal Bank of Canada. Mutual Life has a 51 per cent stake in NCB Group. The bank merger coincided with a run on Citizen's Bank, the island's fifth largest, following rumours it would be taken over by the government because of liquidity problems. The government and Citizen's Bank yesterday denied the rumours, saying the bank was sound. Concerns abont the the island's banking sector deepened in July when the government took over Century National, the island's fifth-largest commercial bank, saying it had liquidity problems. The government had earlier advanced J$4.5bn to Century National in a failed effort to keep it going. *Canute James, Kingston*

Teleglobe wins full US status

Canada's overseas telecommunications company, Teleglobe, has won Federal Communications Commission approval to become a fully-fledged carrier in the US.

Teleglobe has long sought authority under FCC Section 214 to accelerate expansion of its global network. It already had reseller status in the US, with a switching centre in New York and a US head office in Washington. Its fibre-optic and satellite networks reach more than 200 countries and il now requires more international volume. *Robert Gibbens, Montreal*



Notice to the Holders of Warrants (the "Warrants") to subscribe for shares of common stock of

Mars Engineering Corporation (the "Company")

issued in conjunction with

U.S. $100,000,000

2⅛ per cent. Guaranteed Bonds due 2000

In respect of the Warrants, notice is hereby given as follows: On 13th September, 1996, all the issued shares of common stock of the Company (the "Shares"), including the Shares issuable on exercise of the Warrants, were admitted to listing on the Second Section of the Tokyo Stock Exchange and, from such date, ceased to be registered as OTC Registered Stock with the JSDA (each as defined in the Instrument dated 8th February, 1993).

Mars Engineering Corporation
By: The Sumitomo Bank, Limited, London Branch as Principal Paying Agent

Dated: 3rd October, 1996

JUPITER TYNDALL GLOBAL FUND, SICAV

Registered Office: Luxembourg, 13, rue Goethe
R.C. Luxembourg B 34 563

DIVIDEND NOTICE

The Directors resolved on 30 September 1996 to pay a dividend of 2 pence per share to shareholders of the High Yield Portfolio on record on 30 September 1996 with an ex-dividend date of 1 October 1996 and a payment date of 3 October 1996.

By order of the Board

Norwich Union set to raise £2bn via flotation next year

By Motoko Rich

Norwich Union is to become the first UK life insurer to abandon mutual ownership in a flotation on the stock market which would raise an estimated £2bn ($3.1bn) in new money.

Following nearly a year of speculation since the group first said it was considering a flotation, the company said yesterday it intended to come to the market next year.

Although the group declined to reveal details of the flotation, it is believed the company will be valued at about £3.5bn and its 2.9m members will each receive about £500 in free shares.

Norwich Union's move puts pressure on other life assurance companies to follow suit. However, Standard Life and Scottish Widows, both large mutual insurers, have repeatedly expressed commitment to mutual status.

The group also withdrew membership rights for all policies sold after midnight on Tuesday to deter "carpet-baggers" who might try to join the company in the hope of a flotation bonanza.

When Norwich Union, which has £40bn funds under management, first said it was considering flotation last October, it indicated it could be interested in raising capital for acquisitions either in the UK or overseas.

However, Mr Allan Bridgewater, group chief executive, said yesterday: "We are not raising a war chest."

The capital being raised will be used to disentangle the group's general insurance business from its life assurance fund.

As a mutual insurer, Norwich is unique in that it is both a life and general insurer. Last year it generated £4.7bn of gross premium income.

Currently the life assurance policyholders "own" the general insurance assets and overseas subsidiaries – in Ireland, France, Spain, Canada, Australia and New Zealand.

This structure means that life policy holders are exposed to volatility in the general insurance market, which can be fierce. Norwich Union suffered three years of poor results on its general insurance side at the beginning of this decade.

In the flotation the general insurance assets and overseas subsidiaries will be withdrawn from the life fund and put into the public limited company structure, meaning that shareholders, rather than policy holders, will bear the risks associated with the general insurance business.

Most of the capital raised will be injected into the life assurance fund to replace the general insurance assets and to ensure that policy holders still receive bonuses on with-profits policies.

Analysts broadly welcomed the flotation but said the group could also consider a trade sale of its general insurance business or become a target for takeover itself. "Since they are not going to have any golden shares or protection from takeover, that could be the eventual outcome," said one analyst.

Members who will be eligible for the free shares include life assurance policy holders, individual pension holders and customers with annuities or in company pension schemes.

Motor and household insurance customers are not eligible.

Qualifying members will receive a fixed pay-out of free shares and an additional allocation if they have with-profits policies. Members will also have preferential rights to subscribe in further shares.

Lotus sales talks end

By John Griffiths

Negotiations to complete the sale of Lotus, the sports car and engineering group owned by Mr Romano Artioli, to Korean industrial group Daewoo, have been suspended.

Daewoo Motor in Seoul blamed differences over terms and conditions of the sale, which Midland, Lotus's bank, and other parties with a commercial interest in the Norfolk company's future had expected to be signed before the end of this week.

Daewoo would give no explanation of either the differences between the two sides or the sequence of events which had led to the negotiations being suspended. Lotus itself is still refusing to confirm that it is even talking to Daewoo. However, the Korean group said it was "still interested" in buying Lotus.

Daewoo is understood to be prepared to pay up to $75m for Lotus, described as "over the odds" by other companies which have considered offers, mainly to acquire the expertise of Lotus' highly-regarded engineering work force.

Mr Artioli has been reluctant to sell Lotus and has entered negotiations to do so only under pressure from creditors of Bugatti.

BoS beats all forecasts

By George Graham, Banking Correspondent

Bank of Scotland yesterday surprised the City with a 24 per cent increase in profits to £324.3m ($506m) before tax in the six months to August 31, £20m ahead of even the most optimistic of estimates.

Analysts raised profits forecasts for the full year by about 5 per cent to £650m-£660m.

The strong first-half performance helped lift shares by 9p to 264½p. This means the shares have appreciated by 19 per cent since a 30 per cent stake in the bank was sold by Standard Life to institutional investors in July.

The bank, which has about 35 per cent of the banking market in Scotland, has doubled its share of the UK banking market to more than 7 per cent, winning customers in England through telephone and personal computer delivery channels.

This has helped it maintain a lower cost base than most rivals. Although costs rose at an underlying rate of 15 per cent in the March to August period – the result of investments in computer systems and branch refurbishings – they were outpaced by operating income.

Mr Peter Burt, group chief executive, said competition from new suppliers of financial services such as Tesco, the supermarket chain, would break down the inertia that keeps customers loyal to their traditional banks; Bank of Scotland, as an outsider in the English banking market, could benefit from this.

Its first-half results included the first full contribution from Bank of Western Australia, the regional bank it bought last year from the state government before floating 49 per cent.

Mr Burt said he believed the controversial A$486m acquisition of BankWest would prove to be a good long-term investment; even in the short term it had boosted Bank of Scotland's earnings.

"I would expect that in 50 years time our successors will bless us," he said.

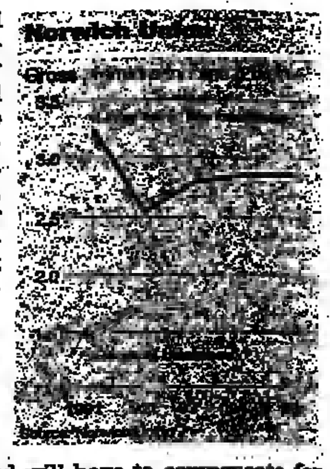
Brokers were surprised by yesterday's results because they had underestimated the bank's ability to maintain its lending margins in the face of stiff competition in both the corporate loan and home mortgage markets. The average net interest margin widened slightly to 2.69 per cent.

Three months ago, eyebrows were raised when researchers at BZW, the investment bank hired by Standard Life to sell its 30 per cent stake in Bank of Scotland, lifted their forecasts for the bank's full-year profits to £625m.

But others yesterday followed BZW's lead. Mr Hugh Pye, BZW's analyst, expects to raise his estimate for full-year earnings to around £655m.

LEX COMMENT

Norwich Union



There is plenty to be said for Norwich Union's flotation plans. Life policy holders will get a windfall and no longer have to bankroll Norwich's general insurance business. And as a public company, Norwich will face tougher disciplines; unlike a converted building society, it will rightly enjoy no protection from takeover. So far, so good. Yet is Norwich not missing a golden opportunity to be bolder? It makes sense to disentangle the general insurance business, but why keep it at all? As it is, the life fund will have to compensate for losing the general business through a hefty and doubtless discounted share issue. It would surely be better to fill this gap with the proceeds from selling the general business to another insurer; that way, a decent premium could be extracted to reflect economies of scale. This solution should also imply a better price for the floated life business; there are far more potential bidders for a medium-sized life assurer than for the £4bn composite Norwich Union is hoping to become. Of course, there would be some losses from splitting the businesses, notably the joint brand. Yet general insurance has become so cut-throat that a pedestrian brand like Norwich's is of little benefit. In truth, the management appear to have thought only of the disadvantages of selling the business and not enough of the disadvantages of keeping it. Such are the luxuries of running a mutual.

Johnston profit hit by bid defence

By David Blackwell

The cost of fighting off a tander offer this summer contributed to a 57 per cent decline in interim profits at Johnston Group.

The family controlled engineer spent £340,000 on recommending shareholders reject an offer of 500p a share from TT Group, the manufacturing conglomerate, for 2.9m shares.

TT, which was aiming to achieve a 29.9 per cent holding, received acceptances for only 4.5 per cent of the shares.

Pre-tax profits for the six months to June 30 fell from £3.8m to £1.65m on total sales increased from £65.9m to £70.8m. The shares – 51 per cent held by the family and directors – were unchanged at 465p.

"Our markets hava been much tougher than in the first six months last year," said Mr Michael Johnston, managing director, yesterday. But order books were reasonable and he hoped that – with no distractions – the second half would prove hetter. Sales rosa from £34.8m to £42m in tha engineering division, buoyed by a high level of deliveries of mechanical sweepers to New York. However, operating profits fell to £1.78m (£2.28m) as US losses continued.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ardagh ♣	Year to June 25	35.8	(33.9)	5.81	(5.18)	14.81	(13.55)	3.6	Nov 25	3.25	4.85	4.2
Bank of Scotland	6 mths to Aug 31	-	(-)	324.3	(261.6♥)	15	(12.8)	2.91	Nov 29	2.45	-	8.85
Billam	6 mths to June 30	3.47	(3.49)	0.002	(0.098L)	0.1	(4.5L)	2.2	Nov 8	2.2	-	5.3
Bilton	6 mths to June 30	17.5☐	(18.4☐)	9.2♥	(9.19)	7.2	(7.2)	2.89	Dec 3	2.89	-	10.33
Blenheim	6 mths to June 30	102.8	(92.1)	30.7	(13.1♠)	18.1	(8.1)	3.675	Jan 15	3.5	-	10.5
Clubhaus	6 mths to June 30☆	3.15	(0.92)	0.728♥	(0.875)	2.15	(5.44)	-	-	-	-	-
Hewden Stuart	6 mths to July 31	141.8	(141.8)	14.7	(19.7)	3.56	(5)	0.8	Dec 12	0.75	-	3
HTV	6 mths to June 30	68.1	(66.4)	6.7	(6.1)	5.7	(5)	1.4	Nov 15	1.25	-	3.75
JJB Sports	8 mths to July 31	55.2	(37.5)	7.24	(4.82)	5.03	(3.45)	1.5	Dec 10	0.92*	-	2.82*
Johnston Group	6 mths to June 30	70.8	(65.9)	1.65♠	(3.8)	7.5	(22.67)	4.5	Dec 12	4	-	11
Lamont	8 mths to June 30	58.3	(65.6)	2.12	(7.8♥)	4.68	(17.66)	3.65	Dec 2	3.65	-	12.8
Sinclair Montrose φ	5 mths to June 30	1.73	(-)	0.193	(-)	1.53	(-)	-	-	-	-	-
Time Products	6 mths to July 31	48.3	(38.8)	9.06	(5.54)	11.29	(7.02)	4.5	Jan 10	3.5	-	10

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Albany	8 mths to Aug 31	170.96	(155.68)	0.326	(0.294)	3.25	(2.75)	1.8	Nov 5	1.45	-	4.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☐Total income. ☆ Comparatives for 12 months. *Equivalent after adjusting for scrip issue. φAim stock.

Blenheim more than doubles

By Patrick Harverson

Blenheim Group, the exhibition organiser in takeover talks with Reed Elsevier, the Anglo-Dutch information and publishing group, yesterday underlined its attraction to Reed and other potential bidders by unveiling interim pre-tax profits more than doubled to £30.7m, against £13.1m.

However, directors said the scale of the profits increase in the six months to June 30 was exaggerated by exceptional charges and losses at the French operations last year. Turnover was £102.8m (£92.1m).

The figures exceeded market expectations by several million pounds.

JJB up 50% and strikes Tesco link

By Christopher Price

JJB Sports, the sports goods retailer, yesterday announced fresh expansion plans, including arrangements to take space with other retailers in high street locations.

The group has struck an agreemant with Tesco whereby it will lease space in new high-etreet Metro stores. Four JJB shops have been opened either above or below Tesco stores and more are planned. A similar deal has been struck with Littlewoods.

The news accompanied a 50 per cent rise in half-year pre-tax profits from £4.82m to £7.24m.

Turnover increased 47 per cent to £55.2m as a further 12 stores opened during ths six months to July 31, taking the total to 160.

Mr David Whelan, who founded the company in 1979 and still holds a 59 per cent stake, said a further 25 stores would open in the second half. JJB intended to increase the number of high street stores to 500 and out-of-town sites to 200 over the next 10 years. The current number of outlets is 148 and 12 respectively.

"The market is nowhere near saturation, far from it. The market is still very fragmented," he said.

There were about 2,500 independent sports shops, he added.

Like-for-like seles increased 13 per cent, buoyed hy sales of replica football kits from Euro 96. There was a £400,000 provision against a possible loss on the sale of the former head office and warehouse.

Current trading was showing a rise of 42 per cent in sales for the first eight weeks, including a 14 per cent like-for-like increase.

Cash at the period end was £12m.

Mr Whelan said the group would continue to pursue growth through organic expansion. He ruled out e special dividend, holding out furthar returns from the "progressive" dividend policy.

Time Products gets Ferrari boost to £9m

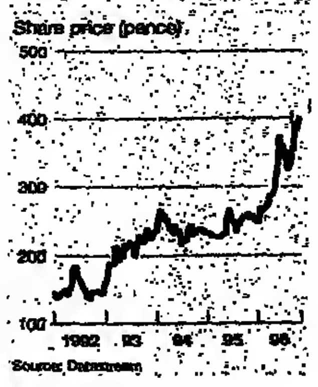
By David Blackwell

The renewed interest surrounding the Ferrari Formula One motor racing team this season helped Time Products, the branded watches and handbags distribution group, to lift interim profits 63 per cent.

The rise was driven by the group's luxury watch division, which late last year started to sell a new Ferrari range made hy Girard-Perregaux and aimed at the top of the market.

Time Products

Share price (pence)



Source: Datastream

Mr Marcus Margulies, chairman, said the watches, which start at £2,000, had sold "very well."

Luxury watches accounted for more than half total group sales of £48.3m (£38.6m) in the six months to July 31.

Pre-tax profits rose from £5.54m to £9.1m.

The group holds agencies for seven luxury watchmakers, with Audemars Piguet and Piaget the strongest performers.

Mr Margulies warned that sales for the rest of the year would be unlikely to match the "exceptional level" of the first half.

The volume watch business – mainly Sekonda – is weighted towards the second half.

But it nonetheless maintained its 10 per cent share of the UK market.

Mr Margulies said that the Judith Leiber hrand of luxury handbags and costume jewellery – which is now sold elongside Cartier, Hermes and Gucci in Harrods' Room of Luxury – was likely to break even in the full year. The group was continuing to invest in the hrand to develop it from a US family husiness into an international operation.

The interim dividend is raised from 3.5p to 4.5p.

This is to be paid from increased earnings of 11.29p (7.02p).

Mr Margulies said: "All our divisions ere showing improvement with aparticularly strong performance from luxury wetches. Progress is being made in North America. I remain optimistic about the prospects."

Trevor Humphries

A power in the Swiss watch industry: Marcus Margulies and two models demonstrete watches worth nearly £700,000. The group has a collection of apparently competing brands at the hante couture end of the watch market and simultaneously runs e slick operation at the bottom, studiously avoiding the sqneeze in the middle. Both these well-established businesses are still motoring, throwing off plenty of cash to develop future growth.

Butte within a whisker of watchdog's bite

By Jim Kelly, Accountancy Correspondent

Butte Mining, the listed excavation group, came very close this week to securing an ignominious footnote in the history of UK company accounts. It was within a whisker of being the first company to be taken to court hy the Financial Reporting Review Panel – the accounting watchdog.

Normally the panel, a sister body to the Accounting Standards Board, works quietly hehind the scenes looking at accounts that might depart from the law. When it finds something wrong the offending company usuelly amends its accounts and the panel publishes a discreet statement.

But the case of Butte Mining is different. The panel's statement, issued yesterday, used unprecedented language indicating a bitter private row. The panel is understood to have briefed counsel and was prepared to go to court – its ultimate sanction, but one never yet used.

The row with Butte hed dragged on. On Tuesday the company finally announced it was not "in the interests of shareholders to pursue this matter" and undertook to reissue the offending accounts. Privately, the panel is hound to feel, again, that its legal fighting fund is its greatest weapon. But why did the panel consider Butte's accounts merited such e tough response? Butte helped float Gem River Corporation, a Canadian mining company. Gem River hoped to extract sapphires and Butte was paid for its services in Gem River shares. The bulk of the shares, quoted on the Alherta Stock Exchange, could not be traded because the success of the mine was uncertain. About 85 per cent were held in an escrow eccount to be released when sapphires were found and sold. But Butte treated the shares as realised profits in its 1995 accounts. The panel said this could not be done with any certainty as the shares could not be traded.

Camas in further US acquisition

By Andrew Taylor, Construction Correspondent

Camas, Britain's fifth largest aggregates group, is continuing its expansion in the US with the $30m (£19.4m) purchase of Model Stone, which has a ready mix concrete husiness in Minneapolis-St Paul, Minnesota.

The UK company is already the largest aggregates and concrete block supplier to the twin cities, but has lacked an ancillary ready mix business.

Model Stone, which operates four ready mix plants with a fifth under construction, also owns approximately 20 years of mineral reserves and a concrete block plant.

Camas said the purchase would consolidate its presence in the region.

It would become one of three largest ready mix suppliers.

Yield convergence continues

GOVERNMENT BONDS

By Samer Iskander and Richard Lapper in London and Lisa Bransten in New York

High-yield European convergence continued yesterday, as Italian, Spanish and Swedish yields narrowed their spreads over 10-year German bunds.

Italian 10-year spreads over Germany fell to 236 basis points, their lowest level since the mid-1970s, and many analysts expect the spread to narrow further. Economists at Bear Stearns in London said: "Our market targets on Euro-convergence look like they are going to be filled in three to four weeks, rather than three to four months."

■ The strength of the lira against the D-Mark, and reports underlining the determination of the government to be part of Emu from 1999, contributed to positive sentiment towards Italy. Analysts pointed to buying by hedge funds. There was one report of significant buying by a large domestic institution and rumours of Japanese buying. In the Liffe BTP pits, trading was described as "hectic".

"You are seeing more hedge fund-type buying. People who were a little bit underweight in the high-yielders [are] getting stuck into convergence trades," a broker at one European house said. Dealing volumes were lighter than on Friday, but by the close more than 81,000 contracts had been exchanged.

The December BTP contract gained 1.35 to settle at 123.30, while the eurolira also performed strongly, reflecting expectatioos of reductions in short-term interest rates. The December 1996 contract settled at 92.39, up 0.12, while the December 1997 cootract gained 0.20 to settle at 93.18.

Bear Stearns analysts reckon the December 1997 contract should be discounting a 250 basis point easing, while Ms Juli Collins-Thompson, economist at Yamaichi in London, says the government has space to reduce the 8.25 per cent discount rate by 2 percentage points over the next 12 months.

Ms Collins-Thompson has amended her forecasts for the 10-year yield spread over Germany, which she expects to fall to 200 basis points within the next three months and 130 basis points within a year.

Mr Robert Stewart, fund manager with Matheson Investment Management, is also optimistic, saying the spread could fall as low as 150 basis points by the end of the year.

However, other analysts said yesterday that the convergence process was vulnerable to external shocks.

Ms Sharda Persaud, an economist at San Paolo Bank in London, warned about the impact of a weakening dollar or a tightening of monetary policy by the US Federal Reserve.

Focus on Emu bolsters Liffe

The latest bout of Emu-related bullishness played a significant role in helping Liffe set a new record of 14.1m contracts last month, up 12 per cent from September 1995, Samer Iskandar writes. This brought total trading in the last 12 months to 122.5m lots, up 19 per cent on the year to end September 1995.

Mr Daniel Hodson, chief executive of Liffe, said: "Increased focus on Emu . . . [and] greater volatility following Italian budgetary announcements have led to the busiest September ever."

All records on individual contracts occurred on Italian products, on September 27 – the day the 1997 budget plan was announced:

● Three-month eurolira futures set a daily record of 81,628 lots, bringing the monthly volume to an all-time high of 717,438 contracts.

● Options on the three-month eurolira future followed a similar pattern, setting a daily record of 22,750 contracts and a monthly record of 158,928 contracts.

● Options on the BTP future reached a daily all-time high of 38,119 contracts.

■ Spain and Sweden also outperformed, on the back of rising expectations about Emu membership. The Spanish 10-year spread over Germany narrowed by 7 basis points to 175 points, and the Swedish spread by 10 basis points to 118 points.

■ UK gilts again benefited from the euphoria. Liffe's December long gilt future settled at 110$\frac{1}{16}$, up $\frac{15}{16}$, with roughly 110,000 contracts changing hands, almost double the volume of an average day. In the cash market, the 10-year yield spread over bunds narrowed by 7 basis points to 160 points.

"The rally reflects a change in perception", said Mr Andrew Roberts, gilts analyst at UBS. "It is not a one-off rise." He said the strength of sterling on the foreign exchange market was "a supportive factor".

■ German bunds, although one of the weaker performing markets, showed a healthy rise. Liffe's December bund future settled at 99.26, up 0.28. Ms Persaud, at San Paolo, said German growth still looked weak, and the market seemed increasingly convinced that "including the high-yielders in Emu is not necessarily bad".

But Ms Phyllis Reed, European bond strategist at BZW, said there "remains the possibility of a correction in the spread against [10-year US] Treasuries, which could go back into positive territory if investors feel there is an inflationary risk from widening Emu to non-core countries". At present, the spread is minus 70 basis points.

■ US Treasury prices advanced in early trading in the wake of a rising dollar and optimism that the Federal Reserve would refrain from raising interest rates this year.

The yield on the two-year note slipped below 6 per cent for the first time since August 22, as the market continued to react to reports that Mr Alan Greenspan, chairman of the Fed, is not worried about inflation.

The Australian Financial Review reported Mr Peter Costello, the Australian treasurer, saying Mr Greenspan had made such remarks to him at a meeting in Washington.

Near midday, the benchmark 30-year Treasury had gained $\frac{3}{4}$ to 98$\frac{23}{32}$ to yield 6.635 per cent, while the two-year note added $\frac{1}{32}$ to 100, yielding 5.983 per cent. The December 30-year bond future was up $\frac{7}{32}$ at 110$\frac{1}{8}$.

The curve that maps the spread between the yields on the two-year note and the long bond steepened by one basis point to 85 basis points as the yield on the note declined by more than that of the long bond.

The continued rise of the dollar against the yen and the D-Mark also contributed to bond market strength. In early afternoon trading, the US currency was at Y111.72 and DM1.5308, against Y111.44 and DM1.5264 late on Tuesday.

World Bank in zero coupon lira deal

INTERNATIONAL BONDS

By Conner Middelmann

The fast-growing market in lira-denominated zero-coupon bonds saw another successful addition yesterday, a L1,000bn issue of 20-year bonds for the World Bank.

Although the lira market has seen a spate of zero-coupon transactions in recent months – including L4,000m of 30-year bonds for Deutsche Bank and last week's 15-year deal for the European Investment Bank – dealers said it is far from saturated amid overwhelming demand for long-dated, zero-coupon lira assets.

Demand is being driven mainly by Italian retail investors who want to lock in current returns in an environment of rapidly falling yields. Italian interest rates have been tumbling in the latest government bond market rally, which has been fuelled by hopes that Italy may be among the first wave of countries to join European monetary union.

In addition, many professional traders have been attracted by the high gearing the bonds offer. "Anyone who wants to take a convergence bet will get more bang for his buck by buying 20- to 30-year zeros at a deep discount," one dealer said.

Meanwhile, for only a small cash outlay, "Italian retail investors wishing to save up for their retirement can lock in current interest returns for a long time", said a syndicate manager at Credito Italiano, joint lead with Citibank. The World Bank's bonds were re-offered at 21.29 per cent of face value.

Moreover, zeros do not bear the reinvestment risk of coupon bonds. "If you buy a zero-coupon bond, you are protected from the risk of having to reinvest your coupon flow at declining rates as all the income is already priced into the deep discount," one dealer said.

Bonds issued by the World Bank and the EIB are especially favoured by Italian retail investors as they are exempt from inheritance tax – an important consideration with an issue of 20-year bonds.

The syndicate manager said the bulk of the deal was being sold to retail investors through Credito Italiano's branches. The bonds closed at 21.50 bid, up 0.21 from the re-offer price.

The World Bank's transaction all but eclipsed a L300bn issue of seven-year bonds, callable after four years, for Oesterreichische Postsparkasse. A L500bn five-year straight bond for the EIB got a warmer reception. "There was a need for a new plain-vanilla, non-zero coupon bond," said a dealer.

The dollar sector also had a busy day. Argentina's $750m global bond, launched Tuesday, was increased to $1bn and priced at 445 basis points over Treasuries; the spread tightened quickly to 435 basis points.

Also in Latin America, Bear Stearns launched $1.28bn of floating-rate notes under the US Rule 144a on behalf of the billionaire Dart family. The deal securitises all of Brazil's remaining multi-year deposit facility agreement (Mydfa) loans not restructured as Brady bonds. The Dart family did not convert their holdings, making them the last holders of the Brazilian debt.

The US Federal National Mortgage Association issued $500m of global five-year bonds callable after two years. Merrill Lynch, joint lead with Lehman Brothers, reported good demand and said it placed just over half outside the US.

The dollar sector also two five-year floating-rate notes: $250m for Bankers Trust and $200m for Korea's Cho Hung Bank. Bankers Trust's notes, yielding 14 basis points over Libor at the re-offer, were deemed expensive. The bank has FRNs outstanding which trade at 18 over Libor – the same spread the new bonds widened to in the course of the session.

However, according to lead manager Salomon Brothers, "there is strong demand for anything that has some yield on it, and Bankers Trust is an improving credit – the bad news is out of the way".

The Cho Hung issue held up better, helped by strong demand for Korean assets amid expectations that the country will join the Organisation for Economic Co-operation and Development this month. OECD membership would make Korean assets 20 per cent risk-weighted, rather than the current 100 per cent.

"We had several European accounts asking for Korean bank paper, and built the deal around that," said a syndicate manager at lead manager Deutsche Morgan Grenfell. The notes yielded 23 basis points over Libor at the re-offer, widening by 1 basis point in late trading.

● Petronas, Malaysia's national oil company, plans to raise $1bn on the international bond market. The issue, expected to be split into five-year and 10-year tranches, is likely to set a benchmark for Asian and Malaysian credits. CS First Boston and Salomon Brothers are joint leads.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Mydfa Trust(a)‡	1.28bn	(a1)	84.642R	Sep 2007	1.00R	-	Bear Stearns
Federal Natl Mtg Assoc(b)	500	6.90#	99.942R	Oct 2001	0.25R	+55(6¾%-01)	Lehman/Merrill Lynch
Republic of Argentina(c)	250	11.00#	99.583R	Oct 2006	0.875R	+445(7%-06)	Goldman/Salomon Bros
Bankers Trust NY Corp(d)‡	250	(d1)	99.932R	Oct 2001	0.20R	-	Salomon Brothers Intl
Cho Hung Bank(e)‡	200	(e1)	100.00R	Oct 2001	0.15R	-	Deutsche Morgan Grenfell
BNG(l)	200	6.25	99.96R	Dec 1999	0.1875R	flat(6%-99)	ABN Amro Hoare Govett
LB Rheinland-Pfalz*	150	6.10	100.00	Oct 1999	0.35	-	IBJ Intl/Wako Intl
KB International Finance	75	(f)	100.578R	Nov 2000	0.225R	+17(6%-99)	Kredietbank Intl Group
Marine Tech(g)ϕ	71.5	2.625	100.00	Oct 1999	2.25		Tokyo-Mitsubishi Intl
■ D-MARKS							
Banque Intl a Luxembourg(l)	100	5.00	99.45R	Dec 2001	0.25R	+35(B.119)	Dresdner KB
■ GUILDERS							
De NIB(l)	125	5.125	100.36R	Dec 2001	0.275R	+14(8¾%-01)	Generale Bank
■ FRENCH FRANCS							
Prov of British Columbia(l)	1.5bn	6.25	100.03R	Jan 2007	0.325R	+20(l)	Paribas Capital Markets
■ LUXEMBOURG FRANCS							
Bayerische Hypo(l)	2bn	6.375	102.55	Dec 2005	2.00	-	BGL/BIL
■ ITALIAN LIRE							
World Bank	1000bn	zero	21.294R	Nov 2016	0.15R	-	Citibank International
European Investment Bank	500bn	7.55	101.80	Nov 2001	1.75	-	San Paolo, Turin
Oest Postsparkasse(h)	300bn	zero	56.97R	Oct 2003	0.10R	-	BNL/Cariplo

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ϕWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Graduated amortisation: average life: 6.16 yrs. a1) 6-mth Libor +⅝%. b) Callable from 9/10/98 at par. c) $750m launched Tuesday was increased to $1bn. d) Callable from Oct 99 at par. d1) 6-mth Libor +12½bp. e) Callable from Oct 99 at par. e1) 6-mth Libor +23bp to Oct 99, then +35½bp. f) 5% to 13/11/98, then 8¾%. g) Warrants to Zuken. Fixing: 9/10/96. Refixing clause in Oct 99, minimum 80%. h) Callable on 30/10/00 at 77.335%. l) Over interpolated yield. l) Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	93.6020	+0.660	7.67	7.82	7.85
Austria		6.250	05/06	101.2100	+0.190	5.98	6.05	6.34
Belgium		7.000	05/06	105.9900	+0.340	6.15	6.26	6.61
Canada *		7.000	12/06	99.9800	+0.660	7.00	7.19	7.31
Denmark		8.000	03/06	107.8400	+0.360	6.84	7.05	7.28
France	BTAN	5.500	10/01	101.7150	+0.160	5.11	5.23	5.57
	OAT	6.500	10/06	103.2900	+0.270	6.05	6.14	6.38
Germany Bund		6.250	04/06	101.6000	+0.250	6.02	6.09	6.36
Ireland		8.000	08/06	108.0500	+0.360	6.85	7.11	7.55
Italy		8.500	02/06	108.4800	+1.350	6.16†	8.65	8.30
Japan	No 140	6.600	06/01	120.8895	-0.080	1.78	1.73	2.08
	No 162	3.000	09/05	101.2141	-0.040	2.83	2.81	3.12
Netherlands		8.500	06/06	118.5600	+0.220	5.91	6.87	6.32
Portugal		9.500	02/06	111.7500	+1.140	7.68	8.05	8.62
Spain		8.800	04/06	106.6700	+0.810	7.76	8.02	6.78
Sweden		6.000	02/05	92.5640	+0.810	7.21	7.48	7.99
UK Gilts		6.000	12/00	104-10	+12/32	6.79	7.02	7.00
		7.500	12/06	100-06	+27/32	7.47	7.74	7.84
		8.000	10/08	110-27	+34/32	7.81	7.85	7.97
US Treasury *		7.000	07/06	102-24	+10/32	6.58	6.69	6.69
		6.750	08/26	98-23	+13/32	6.65	6.95	6.92
ECU (French Govt)		7.000	04/06	104.5200	+0.330	6.35	6.43	6.78

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.02
Prime rate	8¼	Two month	-	Three year	6.18
Broker loan rate	7	Three month	5.05	Five year	6.37
Fed.funds	5$\frac{3}{16}$	Six month	5.33	10-year	6.62
Fed.funds at intervention	-	One year	5.61	30-year	6.86

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	125.20	125.36	+0.28	125.44	125.16	149,628	203,446
Mar	125.08	125.22	+0.30	125.28	125.04	5,653	23,517
Jun	124.00	124.16	+0.30	124.00	124.00	2	3,744

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
122	-	3.42	-	-	0.10	-
123	-	2.52	-	0.06	0.20	-
124	1.46	1.71	-	0.16	0.38	1.00
125	0.73	1.04	1.56	0.39	0.70	1.37
126	0.27	0.57	1.06	0.90	1.23	-

Est. vol. total, Calls 25,319 Puts 33,861. Previous day's open int., Calls 138,160 Puts 126,208.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.13	99.26	+0.28	99.30	99.10	171195	245771
Mar	98.10	98.24	+0.27	98.20	98.10	1870	5124

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
9900	0.60	0.88	0.57	0.90	0.34	0.62	1.33	1.66
9950	0.34	0.62	0.40	0.70	0.58	0.88	1.66	1.98
10000	0.17	0.42	0.27	0.55	0.91	1.16	2.03	2.31

Est. vol. total, Calls 26447 Puts 21017. Previous day's open int., Calls 173157 Puts 154610

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	122.33	123.30	+1.35	123.40	122.30	81146	76254
Mar	121.88	122.54	+1.35	122.00	121.88	196	871

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
12300	1.59	1.88	1.29	2.44
12350	1.31	1.74	1.51	2.70
12400	1.08	1.53	1.76	2.99

Est. vol. total, Calls 27468 Puts 3860. Previous day's open int., Calls 88022 Puts 125905

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	106.90	106.66	+0.71	107.39	106.73	111,277	77,043

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-09	110-02	+0-30	110-07	109-08	107632	154182
Mar	108-20	109-07	+0-31	108-26	108-20	1307	4

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
110	0-46	1-08	1-02	1-34	0-42	1-04	1-52	2-20
111	0-20	0-44	0-44	1-09	1-15	1-40	2-30	2-59
112	0-08	0-25	0-26	0-54	2-04	2-21	3-14	3-40

Est. vol. total, Calls 7916 Puts 4279. Previous day's open int., Calls 23218 Puts 17650

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	93.70	93.88	+0.30	93.92	93.64	41	7,803

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	110-00	110-04	+0-07	110-07	109-29	323,716	360,405
Mar	109-16	109-16	+0-01	109-23	109-16	244	22,257
Jun	-	109-00	-	-	-	750	5,696

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	122.16	-	-	122.16	122.07	1493	n/a
Mar	121.31	-	-	121.31	121.20	173	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Oct 2	Day's change %	Tue Oct 1	Accrued interest	xd adj. ytd		Low coupon yield Oct 2	Oct 1	Yr. ago	Medium coupon yield Oct 2	Oct 1	Yr. ago	High coupon yield Oct 2	Oct 1	Yr. ago
1 Up to 5 years (22)	121.80	0.21	121.55	2.02	7.89	5 yrs	6.89	7.01	7.54	6.98	7.08	7.53	7.05	7.15	7.63
2 5-15 years (19)	151.18	0.64	150.23	3.37	7.62	15 yrs	7.83	7.80	8.18	7.75	7.85	8.20	7.80	7.90	8.29
3 Over 15 years (8)	166.24	0.95	164.67	2.72	9.83	20 yrs	7.97	8.02	8.23	7.85	7.94	8.26	7.90	7.89	8.34
4 Irredeemables (6)	181.03	0.88	189.36	3.51	8.83	Irred.†	7.97	8.04	8.34						
5 All stocks (55)	144.77	0.55	143.98	2.78	8.20										

Index-linked							Inflation 5% Oct 2	Oct 1	Yr. ago	Inflation 10% Oct 2	Oct 1	Yr. ago
8 Up to 5 years (2)	202.20	0.15	201.89	0.89	4.43	Up to 5 yrs	2.78	2.81	3.07	2.13	2.16	1.99
7 Over 5 years (10)	193.97	0.40	193.20	1.50	3.65	Over 5 yrs	3.44	3.47	3.67	3.25	3.27	3.47
8 All stocks (12)	193.79	0.37	193.07	1.43	3.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Oct 2	Oct 1	Sep 30	Sep 27	Sep 26	Yr ago	High*	Low*
Govt. Secs. (UK)	94.46	93.99	93.73	93.88	93.74	93.44	96.34	91.58
Fixed interest	114.23	114.06	113.91	113.88	113.50	111.74	115.23	110.74

Gilt Edged Activity Indices

	Oct 1	Sep 30	Sep 27	Sep 26	Sep 25
Gilt Edged bargains	84.6	99.2	107.8	108.3	131.1
5-day average	106.2	107.5	105.1	102.2	99.8

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on October 2

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98½	98⅞	+¼	6.78
ABN Amro Bank 7¼ 05	1000	100⅝	100⅞	+½	7.28
[illegible]					
Sweden 8 97	2500	104⅞	105		3.37
United Kingdom 7¼ 97	5500	104	104⅛		3.26
Volkswagen Intl Fin 7 03	1000	105⅝	106	-¼	5.94
[illegible]					
Abbey Natl Treasury 8 03 £	1000	102⅛	102⅜	+⅜	7.56
British Land 8⅞ 23 £	150	94⅜	94⅝	+¾	9.88
Denmark 6¾ 98 £	600	100½	100⅝	+⅛	6.45
[illegible]					

STRAIGHT BONDS, FLOATING RATE NOTES, CONVERTIBLE BONDS: [illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts (Lives up to Five Years)						
Conversion 10pc 1996	9.96	5.69	100$\frac{7}{16}$	—	103$\frac{11}{32}$	100$\frac{7}{16}$
Treas 13¼pc 1997‡‡	12.94	5.71	102$\frac{13}{32}$	—	108$\frac{5}{16}$	100½
Exch 10½pc 1997	10.32	5.69	101$\frac{25}{32}$	—	107$\frac{5}{16}$	101¾
Treas Cnv 7pc 1997‡‡	6.93	5.83	100$\frac{31}{32}$	—	101$\frac{13}{32}$	99$\frac{21}{32}$
Treas 8¾pc 1997‡‡	8.54	5.89	102$\frac{13}{32}$	—	107$\frac{23}{32}$	[illegible]
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Treas 7¼pc 2006‡‡	–	7.47	100⅛	+¼	101$\frac{15}{32}$	94$\frac{15}{32}$
Treas 7¾pc 2006‡‡	7.69	7.50	101⅝	+¼	103¼	96$\frac{3}{16}$
Treas 8pc 2002-6‡‡	7.77	7.51	102$\frac{11}{16}$xd	+$\frac{13}{32}$	104$\frac{11}{16}$	97⅞
Treas 11¾pc 2003-7	9.61	7.26	122¼	+$\frac{15}{32}$	125$\frac{5}{16}$	118$\frac{13}{16}$
Treas 8½pc 2007 ‡‡	7.96	7.56	106$\frac{13}{16}$	+$\frac{13}{32}$	108$\frac{27}{32}$	101$\frac{3}{16}$
[illegible]						

Notes		Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	0.37	2.10	114½	+$\frac{1}{16}$	114½	111$\frac{5}{16}$
2½pc '01	(78.3)	2.69	3.25	184$\frac{5}{16}$	+⅛	184$\frac{5}{16}$	174$\frac{13}{16}$
2½pc '03	(78.8)	2.86	3.39	179$\frac{13}{16}$	+⅛	179$\frac{13}{16}$	170$\frac{13}{16}$
4⅜pc '04‡‡	(135.6)	3.02	3.40	117⅝	+⅛	117⅝	112$\frac{11}{16}$
2pc '06	(69.5)	3.16	3.45	189$\frac{3}{16}$	+⅛	189$\frac{3}{16}$	179
[illegible]							

Other Fixed Interest: [illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. [illegible]

CURRENCIES AND MONEY

Yen and D-Mark suffer over Emu optimism

MARKETS REPORT

By Richard Adams

Booming bond markets in the US and Europe, helped by bullish sentiment over prospects for a European single currency, yesterday pushed higher-yielding currencies up at the expense of the yen and the D-Mark.

Sterling, the US dollar, the Swedish krona and the Italian lira all climbed to recent highs in trading on currency markets.

Sterling soared to a two-year high against the D-Mark, finishing the day in London at DM2.3935, up from the previous day's close at DM2.3872. Against the yen, sterling rose to Y175.168, up from Y174.132.

Sterling also rose to $1.5675, up from $1.5645, as its trade-weighted index reached a peak for the year of 87.3.

Short sterling contracts also rose across the board. March 1997 contracts broke resistance at 93.90, and reached 93.92.

The dollar hit a 32-month high against the yen of over Y112 in intra-day trading, before closing at Y111.750, up from Y111.295.

Meanwhile, convergence trading in peripheral European currencies over possible membership of European monetary union (Emu) continued to boost the lira. Italy's surging bond market took the lira to L993.7 against the D-Mark, its highest level for two years.

The Swedish krona also advanced to its best level against the D-Mark recently. It rose to SKr4.323 against the D-Mark, from SKr4.344.

■ Bond markets and convergence trades have been the main focus of interest for the currency markets in the last two weeks. "The bond tail has been wagging the currency dog," said one foreign exchange analyst this week.

Mr Paul von Maydell, senior currency economist at UBS in London, said: "The big feature has been on the one hand, convergence trading in Europe, and on the other, bailing out of low-yield currencies and piling into high-yielding currencies."

That has been the case in Italy, where Italian bond futures reached record highs as market optimism grew over Italy's Emu prospects.

The December Liffe contract finished a day of extraordinary gains at 123.35, fractionally below a record high for the contract of 123.38 reached in late afternoon.

Mr von Maydell said that while the lira was probably not overvalued at around L1,000, he thought the market's optimism was excessive for interest rate futures.

"The market is looking for the lira to enter Emu, if not in the first round then by 2001, coming in at levels that cannot be justified on Italy's past inflation record," he said.

In Mr von Maydell's view, much of the market bullishness for the higher yielding currencies was driven by political matters. "The perception of solidarity between the political leaders in Europe is so great, and confidence is so great, that it doesn't matter what the deficits are, there's a sense that 'this thing is going through'."

Mr Tony Norfield, treasury economist at ABN Amro Bank in London, said the fall of the "Emu axis" currencies of France and Germany made sterling look an attractive long position against the D-Mark. "Sterling is a relatively low risk way of selling D-Marks," Mr Norfield said.

■ Mr Hans-Juergen Koebnick, a Bundesbank council member, said the dollar's current levels were benefitting the German economy.

"The effect of the dollar is positive for a nation that exports and imports a great deal," Koebnick told Reuters.

He said the dollar's level was more appropriate now than last year, and was helping Germany's efforts to consolidate its deficit and debt in preparation for European currency union.

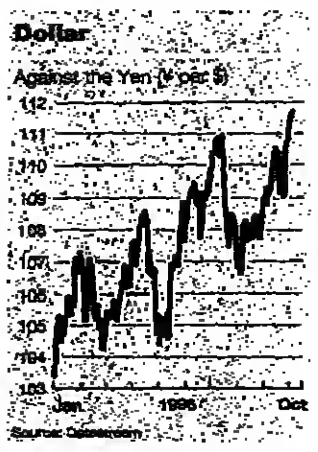
He reiterated his view that Europe may wish to consider delaying the launch of Emu.

"A conditioned waiting for the currency union would not be a catastrophe," Mr Koebnick said, adding it would be worth considering whether the goals "would not be more in reach if one waited another year or two".

Mr Koebnick's statement failed to rattle the market. "There's sentiment in the market about the Bundesbank, that they can say what they like, but they're not going to be in charge," Mr Norfield said.

■ Pound in New York

Oct 2	—Latest—	– Prev. close –
£ spot	1.5680	1.5650
1 mth	1.5684	1.5645
3 mth	1.5678	1.5640
1 yr	1.5665	1.5616



Source: Datastream

■ OTHER CURRENCIES

Oct 2	£	$
Czech Rp	42.3795 - 42.4536	27.0450 - 27.0750
Hungary	242.509 - 242.977	154.780 - 154.950
Iran	4704.00 - 4701.00	3000.00 - 3000.00
Kuwait	0.4701 - 0.4712	0.3000 - 0.3005
Poland	4.4041 - 4.4084	2.8105 - 2.8115
Russia	8494.71 - 8503.26	5421.00 - 5423.00
U.A.E.	5.7551 - 5.7593	3.6727 - 3.6730

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POUND SPOT FORWARD AGAINST THE POUND

Oct 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8371	+0.0437	277 - 464	16.8580	16.7769	16.7936	3.1	16.7371	2.4	-	-	104.5
Belgium	(BFr)	49.2822	+0.1381	351 - 293	49.3295	49.1360	49.1622	2.9	48.8372	2.8	47.9172	2.8	106.1
Denmark	(DKr)	9.1809	+0.0189	764 - 853	9.1872	9.1564	9.1636	2.3	9.132	2.1	8.9937	2.0	107.4
Finland	(FM)	7.1436	-0.0089	374 - 498	7.1740	7.1370	-	-	-	-	-	-	85.2
France	(FFr)	8.1021	+0.0178	975 - 066	8.1145	8.0853	8.0854	2.5	8.0547	2.3	7.917	2.3	108.6
Germany	(DM)	2.3935	+0.0063	923 - 948	2.3971	2.3844	2.388	2.9	2.3767	2.8	2.3268	2.8	107.9
Greece	(Dr)	377.768	+0.889	459 - 076	378.311	375.678	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9794	+0.0033	788 - 800	0.9816	0.9770	0.9782	0.2	0.9789	0.2	0.9781	0.1	99.8
Italy	(L)	2379.32	+6.83	617 - 047	2385.19	2372.39	2384.37	-2.8	2392.82	-2.8	2414.32	-1.5	77.8
Luxembourg	(LFr)	49.2822	+0.1381	351 - 293	49.3295	49.1360	49.1622	2.9	48.8372	2.8	47.9172	2.8	106.1
Netherlands	(Fl)	2.6848	+0.0077	836 - 861	2.6878	2.6770	2.6778	3.1	2.6648	3.0	2.6059	2.8	106.2
Norway	(NKr)	10.1871	+0.0132	808 - 933	10.2008	10.1277	10.1771	1.2	10.1656	0.8	10.1136	0.7	98.5
Portugal	(Es)	242.286	-0.349	153 - 444	242.607	241.945	242.474	-0.9	242.914	-1.0	-	-	95.8
Spain	(Pta)	201.345	+0.325	254 - 457	201.464	200.660	201.565	-1.3	201.9	-1.1	202.7	-0.7	80.8
Sweden	(SKr)	10.3500	-0.0174	405 - 591	10.3658	10.2559	10.3402	1.1	10.3478	0.1	10.3587	0.1	86.6
Switzerland	(SFr)	1.9639	+0.0026	625 - 652	1.9682	1.9572	1.9584	4.6	1.9426	4.3	1.8815	4.2	110.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	87.3
Ecu		1.2547	+0.0022	539 - 554	1.2562	1.2501	1.2529	1.8	1.2493	1.7	1.2316	1.8	-
SDR†		1.08860	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5673	+0.0029	667 - 678	1.5690	1.5640	-	-	-	-	-	-	-
Brazil	(R$)	1.6009	+0.0033	001 - 016	1.6025	1.5974	-	-	-	-	-	-	-
Canada	(C$)	2.1341	+0.0024	330 - 351	2.1370	2.1271	2.1305	2.0	2.1239	1.9	2.0980	1.8	84.7
Mexico	(New Peso)	11.7837	+0.0007	760 - 914	11.7980	11.7675	-	-	-	-	-	-	-
USA	($)	1.5675	+0.0029	670 - 680	1.5693	1.5642	1.5669	0.5	1.5664	0.3	1.5646	0.2	97.8
Pacific/Middle East/Africa													
Australia	(A$)	1.9690	-0.0068	686 - 711	1.9780	1.9647	1.9715	-1.0	1.9739	-0.8	1.9798	-0.5	94.5
Hong Kong	(HK$)	12.1202	+0.0224	159 - 244	12.1337	12.0952	12.1161	0.4	12.1132	0.2	12.1242	0.0	-
India	(Rs)	55.9031	+0.095	025 - 776	55.9890	55.6261	-	-	-	-	-	-	-
Israel	(Shk)	4.9958	+0.0079	903 - 013	5.0110	4.9864	-	-	-	-	-	-	-
Japan	(Y)	175.168	+1.036	034 - 302	175.700	174.400	174.318	5.8	172.708	5.8	165.923	5.3	130.7
Malaysia	(M$)	3.9211	+0.0057	191 - 231	3.9251	3.9148	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2377	+0.0068	360 - 394	2.2413	2.2327	2.2455	-4.2	2.2593	-3.9	2.2979	-2.7	110.7
Philippines	(Peso)	41.1234	+0.0836	554 - 914	41.1915	41.0560	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8786	+0.0109	767 - 811	5.8853	5.8657	-	-	-	-	-	-	-
Singapore	(S$)	2.2094	+0.0054	079 - 109	2.2111	2.2039	-	-	-	-	-	-	-
South Africa	(R)	7.0593	-0.0385	531 - 654	7.1016	7.0527	-	-	-	-	-	-	-
South Korea	(Won)	1287.78	+3.32	713 - 843	1289.02	1284.37	-	-	-	-	-	-	-
Taiwan	(T$)	43.0908	+0.0853	612 - 200	43.1244	42.9964	-	-	-	-	-	-	-
Thailand	(Bt)	39.8733	+0.109	566 - 899	39.9490	39.8720	-	-	-	-	-	-	-

† Rates for Oct 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.7414	+0.006	388 - 439	10.7550	10.7180	10.7217	2.2	10.6814	2.2	10.4864	2.4	104.7
Belgium	(BFr)	31.4400	+0.03	200 - 600	31.4700	31.3830	31.375	2.5	31.2425	2.5	30.6225	2.6	106.1
Denmark	(DKr)	5.8570	+0.0012	560 - 580	5.8630	5.8488	5.8481	1.6	5.8297	1.9	5.748	1.9	106.8
Finland	(FM)	4.5573	-0.0142	548 - 598	4.5783	4.5540	4.5485	2.3	4.5297	2.4	4.4473	2.4	84.6
France	(FFr)	5.1686	+0.0018	675 - 700	5.1787	5.1610	5.1601	2.0	5.142	2.1	5.0596	2.1	108.1
Germany	(DM)	1.5270	+0.0012	267 - 272	1.5291	1.5237	1.524	2.4	1.5173	2.5	1.4871	2.6	107.4
Greece	(Dr)	241.000	-0.02	880 - 120	241.280	240.050	240.555	-7.7	245.125	-6.8	256.15	-6.3	66.9
Ireland	(I£)	1.6005	-0.0025	995 - 015	1.6025	1.5980	1.6002	0.2	1.5999	0.1	1.5957	0.2	-
Italy	(L)	1517.91	-3.22	756 - 816	1523.30	1514.55	1521.71	-3.0	1527.66	-2.6	1543.16	-1.7	77.1
Luxembourg	(LFr)	31.4400	+0.03	200 - 600	31.4700	31.3830	31.375	2.5	31.2425	2.5	30.6225	2.6	106.1
Netherlands	(Fl)	1.7128	+0.0013	125 - 131	1.7150	1.7095	1.709	2.7	1.701	2.8	1.6655	2.8	105.9
Norway	(NKr)	6.4998	+0.0036	975 - 020	6.5116	6.4665	6.4951	0.7	6.4895	0.6	6.4630	0.6	97.8
Portugal	(Es)	154.570	-0.51	520 - 620	155.080	154.390	154.79	-1.7	155.085	-1.3	155.905	-0.9	95.5
Spain	(Pta)	128.450	-0.03	420 - 480	128.570	128.250	128.635	-1.7	128.935	-1.5	129.555	-0.9	79.8
Sweden	(SKr)	6.6029	-0.0233	991 - 066	6.6353	6.5824	6.6001	0.5	6.5903	0.6	6.5429	0.9	89.9
Switzerland	(SFr)	1.2529	+0.0007	524 - 533	1.2568	1.2490	1.2485	4.2	1.2401	4.1	1.2024	4.0	110.2
UK	(£)	1.5675	+0.0029	670 - 680	1.5693	1.5642	1.5669	0.5	1.5664	0.3	1.5646	0.2	88.7
Ecu		1.2494	+0.0001	490 - 497	1.2527	1.2490	1.2508	-1.3	1.2539	-1.4	1.2705	-1.7	-
SDR†		0.69983	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0213	+0.0002	211 - 214	1.0214	1.0211	-	-	-	-	-	-	-
Canada	(C$)	1.3615	-0.001	612 - 617	1.3622	1.3593	1.3597	1.6	1.3558	1.7	1.341	1.5	84.0
Mexico	(New Peso)	7.5175	+0.0135	150 - 200	7.5200	7.5150	7.8355	-16.6	7.902	-20.5	8.6825	-15.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	99.3
Pacific/Middle East/Africa													
Australia	(A$)	1.2566	-0.0065	563 - 571	1.2604	1.2560	1.2581	-1.4	1.26	-1.1	1.2655	-0.7	95.8
Hong Kong	(HK$)	7.7322	-	318 - 324	7.7324	7.7318	7.7321	0.0	7.7326	0.0	7.7437	-0.1	-
India	(Rs)	35.6600	-0.05	600 - 000	35.7000	35.4700	35.815	-7.2	36.275	-7.6	-	-	-
Israel	(Shk)	3.1871	-0.0009	845 - 896	3.1978	3.1845	-	-	-	-	-	-	-
Japan	(Y)	111.750	+0.455	700 - 800	112.100	111.480	111.245	5.4	110.25	5.4	106.035	5.1	131.8
Malaysia	(M$)	2.5015	-0.001	010 - 020	2.5039	2.5010	2.5044	-1.4	2.5097	-1.3	2.5243	-0.9	-
New Zealand	(NZ$)	1.4276	-0.0022	269 - 282	1.4283	1.4265	1.4331	-4.6	1.4374	-2.7	1.4588	-2.8	-
Philippines	(Peso)	26.2350	+0.005	000 - 700	26.2700	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 507	3.7507	3.7505	3.7506	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4095	+0.0006	090 - 100	1.4104	1.4090	1.4073	1.8	1.4037	1.9	1.3815	2.0	-
South Africa	(R)	4.5035	-0.033	010 - 060	4.5320	4.5000	4.5442	-10.8	4.6192	-10.3	4.934	-9.6	-
South Korea	(Won)	821.550	+0.6	400 - 700	822.200	821.300	-	-	-	-	-	-	-
Taiwan	(T$)	27.4900	+0.01	800 - 000	27.5000	27.4800	27.4901	0.0	27.4903	0.0	-	-	-
Thailand	(Bt)	25.4375	+0.0225	350 - 400	25.4650	25.3380	25.5275	-4.2	25.695	-4.0	26.3325	-3.5	-

† SDR rate per $ for Oct 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 1: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

October 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3¼	3¼	3⅛	6.00	2.50	-
week ago	3⅛	3⅛	3⅛	3⅛	3¼	6.00	2.50	-
France	3⅝	3⅜	3½	3⅝	3⅝	3.35	-	4.75
week ago	3¾	3⅜	3½	3⅝	3¾	3.35	-	4.75
Germany	3⅛	3⅛	3⅛	3⅛	3¼	4.50	2.50	3.00
week ago	3⅛	3⅛	3¼	3¼	3⅜	4.50	2.50	3.00
Ireland	5⅝	5⅛	5¾	5⅝	5⅝	-	-	6.25
week ago	5⅝	5¼	5¾	5⅝	6	-	-	6.25
Italy	8⅝	8¼	8	7⅞	7¾	-	8.25	8.38
week ago	8⅞	8⅝	8⅛	8	7⅞	-	8.25	8.50
Netherlands	2⅞	2⅞	2⅞	2⅞	3⅛	-	3.00	3.30
week ago	2⅞	2⅞	2⅞	2⅞	3¼	-	3.00	3.30
Switzerland	1¼	1⅝	1¾	1¾	1⅞	-	1.00	-
week ago	1⅝	1⅝	1⅝	1¾	1⅞	-	1.00	-
US	5¼	5⅜	5⅝	5⅝	5⅞	-	5.00	-
week ago	5⅜	5⅜	5⅝	5⅝	5⅞	-	5.00	-
Japan	½	½	½	½	¾	-	0.50	-
week ago	½	½	½	½	¾	-	0.50	-

■ $ LIBOR FT London

	Over night	One month	Three mths	Six mths	One year
Interbank Fixing	-	5⅜	5¾	5⅝	5⅞
week ago	-	5⅜	5⅝	5⅝	5⅞
US Dollar CDs	-	5.15	5.22	5.35	5.62
week ago	-	5.15	5.20	5.35	5.64
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛
week ago	-	4⅛	4⅛	4⅛	4⅛
SDR Linked Ds	-	3⅛	3⅛	3⅛	3⅜
week ago	-	3⅛	3⅛	3⅛	3⅜

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛
Danish Krone	3½ - 3⅛	3½ - 3⅛	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	4 - 3⅞
D-Mark	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 2⅞	3⅛ - 3⅛	3⅛ - 3⅛	3⅜ - 3¼
Dutch Guilder	2⅞ - 2⅝	2⅞ - 2⅝	2⅞ - 2⅝	2⅞ - 2⅞	2⅞ - 2⅞	3⅛ - 3⅛
French Franc	3⅛ - 3⅞	3⅝ - 3⅛	3⅝ - 3⅛	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝
Portuguese Esc.	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7	6⅞ - 6⅞	6⅞ - 6⅞
Spanish Peseta	7⅛ - 6⅞	7 - 6⅞	7 - 6⅞	6⅞ - 6⅞	6⅞ - 6⅝	6⅝ - 6⅝
Sterling	5⅞ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅞ - 5⅞	6⅛ - 6
Swiss Franc	1⅛ - 1⅜	1½ - 1⅜	1⅝ - 1½	1⅝ - 1½	1⅝ - 1⅝	1⅞ - 1¾
Can. Dollar	3⅜ - 3⅛	3⅝ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	4 - 3⅞	4⅜ - 4⅛
US Dollar	5⅜ - 5	5⅜ - 5¼	5⅜ - 5⅜	5⅝ - 5⅝	5⅝ - 5⅝	5⅞ - 5⅞
Italian Lira	8⅞ - 8⅛	8⅞ - 8⅛	8⅞ - 8⅛	8 - 7⅞	7⅞ - 7⅝	7⅝ - 7⅜
Yen	⅛ - ⅛	½ - ⅛	½ - ½	½ - ½	½ - ½	¾ - ⅝
Asian $Sing	2⅝ - 2⅜	3 - 2⅞	3⅛ - 2⅞	3⅛ - 3⅛	3⅛ - 3⅛	3⅝ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.33	96.34	+0.03	96.34	96.31	17,324	67,467
Mar	96.26	96.30	+0.04	96.30	96.27	9,548	37,694
Jun	96.19	96.23	+0.07	96.23	96.18	642	25,755

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.87	96.87	-	96.88	96.87	24922	210095
Mar	96.83	96.83	+0.02	96.84	96.82	27533	215255
Jun	96.69	96.72	+0.05	96.73	96.69	37902	163216
Sep	96.46	96.50	+0.07	96.52	96.45	25399	136646

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.29	92.39	+0.12	92.41	92.29	28573	58134
Mar	92.82	92.96	+0.17	92.96	92.82	13872	32189
Jun	93.04	93.20	+0.19	93.20	93.04	4772	27854
Sep	93.13	93.24	+0.20	93.25	93.13	2775	13918

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.42	98.41	+0.02	98.43	98.38	5973	42362
Mar	98.33	98.33	+0.02	98.34	98.30	6119	21856
Jun	98.11	98.16	+0.05	98.16	98.11	2995	9678
Sep	97.85	97.88	+0.06	97.89	97.83	467	2623

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.40	99.39	-	99.40	99.40	11	n/a
Mar	99.24	99.24	-	99.25	99.24	395	n/a
Jun	99.07	99.06	-	99.07	99.07	154	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.87	95.89	+0.03	95.90	95.86	1462	8793
Mar	95.88	95.89	+0.04	95.89	95.87	504	3669
Jun	95.82	95.85	+0.05	95.85	95.82	495	2778
Sep	95.68	95.70	+0.06	95.70	95.65	423	2128

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.63	16.44	4.858	1.987	4828	5.448	20.68	491.7	408.5	21.00	3.985	2.029	4.330	3.182	355.5	2.547
Denmark	(DKr)	53.68	10	8.825	2.608	1.066	2591	2.925	11.10	263.9	219.3	11.27	2.139	1.089	2.324	1.708	190.8	1.367
France	(FFr)	60.82	11.33	10	2.955	1.208	2936	3.314	12.58	299.1	248.5	12.77	2.424	1.234	2.634	1.935	216.2	1.549
Germany	(DM)	20.58	3.835	3.384	1	0.409	993.7	1.122	4.258	101.2	84.09	4.323	0.820	0.418	0.891	0.655	73.16	0.524
Ireland	(I£)	50.34	9.378	8.276	2.445	1	2430	2.743	10.41	247.5	205.6	10.57	2.006	1.021	2.180	1.602	179.0	1.282
Italy	(L)	2.071	0.386	0.341	0.101	0.041	100.	0.113	0.428	10.18	8.462	0.435	0.083	0.042	0.090	0.066	7.364	0.053
Netherlands	(Fl)	18.35	3.419	3.016	0.892	0.365	886.0	1	3.795	90.24	74.97	3.855	0.731	0.372	0.795	0.584	65.25	0.467
Norway	(NKr)	48.36	9.010	7.951	2.349	0.961	2335	2.635	10	237.8	197.5	10.16	1.927	0.981	2.094	1.539	171.9	1.232
Portugal	(Es)	20.34	3.789	3.344	0.988	0.404	981.9	1.108	4.206	100.	83.08	4.272	0.811	0.413	0.881	0.647	72.31	0.518
Spain	(Pta)	24.48	4.561	4.025	1.189	0.486	1182	1.334	5.062	120.4	100.	5.142	0.976	0.497	1.060	0.779	87.03	0.623
Sweden	(SKr)	47.61	8.871	7.828	2.313	0.946	2299	2.594	9.845	234.1	194.5	10	1.898	0.966	2.062	1.515	169.3	1.213
Switzerland	(SFr)	25.09	4.675	4.125	1.219	0.498	1211	1.367	5.196	123.4	102.5	5.270	1	0.509	1.087	0.798	89.21	0.639
UK	(£)	49.28	9.181	8.102	2.394	0.979	2379	2.685	10.19	242.3	201.3	10.35	1.964	1	2.134	1.568	175.2	1.255
Canada	(C$)	23.09	4.302	3.797	1.122	0.459	1115	1.258	4.775	113.5	94.33	4.850	0.920	0.469	1	0.735	82.10	0.588
US	($)	31.43	5.855	5.167	1.527	0.624	1517	1.712	6.499	154.5	128.4	6.601	1.253	0.638	1.361	1	111.7	0.800
Japan	(Y)	28.13	5.240	4.624	1.366	0.559	1358	1.533	5.816	138.3	114.9	5.908	1.121	0.571	1.218	0.895	100.	0.716
Ecu		39.27	7.319	6.456	1.908	0.780	1896	2.139	8.120	193.1	160.4	8.247	1.565	0.797	1.700	1.249	139.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6583	0.6583	-0.0004	0.6595	0.6579	10,889	66,415
Mar	-	0.6630	-	0.6632	-	202	1,637
Jun	-	0.6673	-	-	-	82	2,166

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9073	0.9034	-0.0037	0.9073	0.9026	17,153	76,816
Mar	0.9158	0.9158	-0.0023	0.9168	0.9158	82	1,890
Jun	0.9275	0.9275	-0.0036	0.9275	0.9275	20	219

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8035	0.8050	+0.0010	0.8077	0.8020	7,292	40,133
Mar	0.8138	0.8135	+0.0014	0.8150	0.8135	55	1,635
Jun	-	0.8212	+0.0008	0.8212	-	4	88

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5628	1.5688	+0.0026	1.5688	1.5628	6,772	41,003
Mar	-	1.5660	+0.0020	1.5660	-	6	96
Jun	-	1.5660	+0.0020	1.5660	-	4	2

UK INTEREST RATES

LONDON MONEY RATES

Oct 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 5½	5⅞ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 5⅞	6⅜ - 6⅛
Sterling CDs	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6⅛
Treasury Bills	-	-	5⅞ - 5⅝	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5¾	-
Local authority deps.	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5¾	5⅞ - 5⅞	6 - 5⅞	6⅛ - 6⅛
Discount Market deps	6¾ - 5¾	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.

Ave. tender rate of discount on Sep 20, 5.5516pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 30, 1996. Agreed rate for period Oct 26, 1996 to Nov 25, 1996, Schemes II & III 7.09pc. Reference rate for period Aug 31, 1996 to Sep 30, 1996, Schemes IV & V 5.848pc. Finance House Base Rate 6pc from Oct 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.04	94.05	+0.03	94.06	94.03	13191	116686
Mar	93.88	93.92	+0.05	93.92	93.89	15705	81801
Jun	93.68	93.71	+0.08	93.72	93.66	15582	76463
Sep	93.38	93.46	+0.11	93.46	93.39	10036	42877
Dec	93.12	93.21	+0.12	93.23	93.12	8815	33048

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9400	0.13	0.15	0.18	0.08	0.23	0.47
9425	0.03	0.06	0.10	0.23	0.39	0.64
9450	0.01	0.02	0.05	0.46	0.60	0.84

Est. vol. total, Calls 2787 Puts 2589. Previous day's open int., Calls 111331 Puts 125145

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

● Members of London Investment Banking Association

* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Oct 2	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.786629	+0.001119	-0.70	2.19	5
Portugal	195.792	194.430	-0.709	-0.70	2.16	5
Spain	162.493	191.479	-0.075	-0.82	2.10	4
Netherlands	2.15214	2.15346	+0.00127	0.06	1.40	-0
Belgium	39.3960	39.5265	+0.0219	0.33	1.13	-2
Austria	13.4383	13.5036	+0.0045	0.49	0.98	-4
Germany	1.91007	1.91963	+0.00071	0.50	0.96	-5
Denmark	7.28580	7.36600	+0.00182	1.10	0.36	-8
France	6.40608	6.50007	+0.00594	1.47	0.00	-12
NON ERM MEMBERS						
Greece	292.867	303.073	-0.117	3.48	-1.85	-
Italy	2106.15	1910.49	-5.12	-9.29	11.88	-
UK	0.786652	0.803400	-0.0013	2.13	-0.65	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.540	2.41	2.60	2.85	-	0.25	0.52
1.550	1.49	1.90	2.21	0.04	0.49	0.82
1.560	0.73	1.27	1.62	0.28	0.86	1.23
1.570	0.24	0.79	1.14	0.79	1.38	1.75
1.580	0.02	0.44	0.77	1.57	2.04	2.36

Previous day's vol., Calls 3,464 Puts 1,039. Prev. day's open int., Calls 135,495 Puts 112,457

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.27	94.29	+0.03	94.30	94.26	110,215	467,639
Mar	94.15	94.18	+0.04	94.19	94.13	100,365	356,415
Jun	93.98	94.01	+0.04	94.02	93.96	65,486	264,105

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.85	94.85	-	94.87	94.85	340	3,776
Mar	94.73	94.72	+0.04	94.73	94.72	17	1,516
Jun	-	94.53	+0.03	94.53	-	40	100

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
9675	0.12	0.14	0.15	0.21	0	0.02	0.03	0.13
9700	0.01	0.02	0.03	0.08	0.14	0.15	0.16	0.25
9725	0	0	0	0.03	0.38	0.38	0.38	0.45

Est. vol. total, Calls 40058 Puts 21186. Previous day's open int., Calls 340068 Puts 260803

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9850	0.07	0.13	0.14	0.16	0.30	0.48
9875	0.02	0.05	0.06	0.36	0.47	0.65

Est. vol. total, Calls 20 Puts 0. Previous day's open int., Calls 3958 Puts 1251

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9225	0.29	0.81	1.07	0.15	0.10	0.12
9250	0.16	0.61	0.87	0.27	0.15	0.17
9275	0.07	0.44	0.69	0.43	0.23	0.24

Est. vol. total, Calls 9291 Puts 6851. Previous day's open int., Calls 83188 Puts 40753

COMMODITIES AND AGRICULTURE

Aluminium industry hails the can with a thousand faces

By Kenneth Gooding, Mining Correspondent

The aluminium industry was yesterday heralding its latest breakthrough – the beverage can that no longer looks like a can. Coca Cola is test marketing in the US a can shaped to resemble as closely as possible its traditional fluted bottle.

"Soft drinks and beer producers want to be able to personalise their containers and research carried ont hy our industry has shown the wall of an aluminium beverage can has enough formability to be shaped," said Mr Bernard Legrand, chairman of the European Aluminium Association, yesterday. "This will certainly strengthen the position of the aluminium can against other, competing, beverage containers."

At the association's annual press briefing in Brussels, Mr Legrand revealed that American National Can had developed the shaped can for Coca Cola. Now it would now be up to the beer and soft drinks industries to find out whether the concept would catch on. If the Coke trial was successful, however, other beverage producers would be bound to follow even though the shaped can cost more than the can-shaped variety.

ANC is a subsidiary of Pechiney of France and Mr Legrand is head of Pechiney's aluminium division.

From the aluminium industry's point of view the timing of the breakthough could not be more opportune. The aluminium beverage can has been suffering intense competition from other containers, particularly from PET, a polyester-based plastic used for bottles. This is worrying for an industry that generates ahont 10 per cent of total global demand from one product in one country – the aluminium beverage can in the US – and is relying on the beverage can for a great deal of future growth as its popularity spreads to other parts of the world.

In the US nearly every beverage can is made from aluminium but the can is suffering an image problem among younger people there. As Mr Stephen Bettcher, vice president for can stock sales and marketing at Kaiser Aluminium, warned recently: "The reality is that to today's youngster the can is what dad drank from while he stood in his T-shirt and watered the driveway – not the most positive image to a marketer".

In Europe the aluminium industry hoped to follow the US pattern and obliterate tinplate cans as competitors but it is clear this will not happen. Tha steel industry has been fighting back effectively and last year some can lines in Italy and the UK were switched back from aluminium to steel.

Mr Legrand said yesterday he was confident that "aluminium will remain the preferred material of the can makers in Europe". The metal still had the biggest market share, having moved up in the past ten years from 37 per cent of the beverage can market to 55 per cent last year. Demand had grown by "a spectacular" 14.5 per cent a year for the past decade.

Demand expected to pick up after poor start

By Kenneth Gooding

Western world demand for aluminium is likely gradually to pick up during the remainder of this year after a very poor start, Mr Bernard Legrand, chairman of the European Aluminium Association, told reporters at the association's annual press briefing in Brussels yesterday. This ahould leave the market roughly in balance, he said, even after an expected 5 per cent increase in production in the west and with imports from eastern Europe remaining at about 2m tonnes.

When questioned after his formal presentation, he said he could see a similar, balanced situation, in 1997 but with supply tightening towards the year-end. Nevertheless, with about 1m tonnes of aluminium smelting capacity still shut down, any tightness was unlikely to push prices up sharply. He insisted that in present market conditions he could not recommend that Pechiney of France, whose aluminium division he heads, reactivate any of the capacity thet it had on stand by.

Mr Legrand said that in 1995 western European aluminium production was 3.3m tonnes, some 2.6 par cent above the 1994 level, while consumption of the metal increased by only 1.9 per cent, more or less in line with general economic development in Europe, from 5.15m to 5.25m tonnes. This left a 2m tonnes gap to be filled by imports.

Demand for extruded products in Europe in 1995 reached 1.89m tonnes, just 0.8 per cent above that for 1994. The current year started badly but in the second half order intakes suggested some recovery in demand. Mr Legrand said more growth could be look for in 1997, mainly because of the bright outlook for the building markets in Italy, Scandinavia and the UK.

In 1995 consumption of rolled aluminium products in Europe was about 2.87m tonnes, 1.4 per cent higher than in 1994. In the first half of 1996 demand dropped by about 6 per cent but some recovery was expected at the year end. This positive development was expected to continue into 1997 because of "positive signs" in the packaging and building markets.

Go-ahead given for Queensland gold project

By Kenneth Gooding, in Denver

The go-ahead has been given for the US$40m Vera-Nancy gold mine in Queensland, Australia, which is now expected to pour its first gold only 17 months after the deposit was discovered.

The speed at which the mine, voted Australia's "discovery of the year" in 1995, is being put into production is another illustration of the industry's present dash for growth. Vera-Nacy is only one among many. At least four other gold mines are scheduled to start up next year and were mentioned by presenting companies at the Denver Gold Group's forum.

Vera-Nancy is 50-50 owned hy Battle Monntain Gold of the US and Normandy of Australia, which will operate the mine. They announced their decision to develop the mine, which is scheduled to produce 100,000 troy ounces of gold a year from underground ore at full capacity, at the forum. Normandy said the first gold would be poured in February and full output should be reached in August. Cash production costs are estimated to be US$130 an ounce over the ten year life of the mine. Additional exploration was expected to increase the mine's life.

Also on the list of next year's new producers is the Pipeline project in Nevada, jointly owned by Placer Dome of Canada and RTZ-CRA, the Anglo-Australian group. Tha partners have decided to dovetail the start of production at two deposits so that the combined annual output will be 440,000 ounces instead of the 310,000 originally envisaged. Placer said at the forum that Pipeline was three months ahead of schadula and capital costs were likely to be US$270m to $280m compared with the budgeted $320m.

Other mines due to begin production in 1997 include Lihir, in Papua New Guinea, which will produced 584,000 ounces annually in the early years; Fort Knox, a 350,000 ounce a year venture in Alaska, owned by Amax Gold; and Sunrise Dam in Western Australia, which the owner, Acacia, expects to produce 100,000 ounces a year.

Copper prices steadier

MARKETS REPORT

COPPER prices settled at firmer levels on the London Metal Exchange yesterday afternoon after several days of highly volatile trading.

The three months delivery price stabilised ahove the $1,900-a-tonne mark in thin market conditions shooting to nearly $2,000 last Friday and falling back to $1,875 in inter-office business late on Tuesday.

Last husiness in yesterday's after hours "kerb" session was at $1,918 a toune, up $28 from Tuesday and just off a high of $1,922.

"I'm standing aside at the moment," one floor trader said. "I just can't get a handle on the market."

The other LME metals largely followed copper higher after Tuesday's fall, but the three month *ALUMINIUM* price remained trapped below $1,400 a tonne.

NICKEL prices managed a healthy hounce, the three months position probing the $7,100-a-tonne barrier on the kerh and ending $90 higher at $7,095.

On the London Bullion Market the GOLD price built on early gains before stalling at resistance just above the key $380-a-troy ounce level. It closed at $380.40 an ounce, 50 cents off the day's peak.

"There was good buying in London early, following on from the Far East, and it caught the market on the short side," one dealer said. "When New York didn't push the price down, they covered their shorts."

Eventually gold was likely to retest recent lows and then likely drop further, desplte modest short-term gains, several dealers and analysts suggested. The strong dollar and booming US stock and bond markets were discouraging investor interest while physical demand was on hold until prices had ohviously hottomed out, they explained.

COCOA prices on the London International Financial Futures Exchange extended losses mainly on arbitrage selling. Business was becoming increasingly subdued as market players hegan to leave for Paris, where an annual trade dinner will be held tomorrow.

The most-active March contract ended £5 down on the dsy at £993 a tonne but that was £3 abova tha day's low.

Compiled from Reuters

Zinc risk adjustment urged

As zinc miners and smelters prepare for their next "mating season" moves are afoot to attempt a redistribution of price risk exposure in next year's annual contracts, according to Mr Roger Brain, vice-president sales and marketing at Cominco, reports Reuters from New York.

"I think that will be one of the issues that will be part of this year's discussious," he said yesterday.

The zinc and lead concentrates mating season ritual begins at London Metal Exchange week in London next week with minds focusing on supply and demand at the International Lead and Zinc Study Group meeting in Vienna on October 10.

At the American Zinc Association conference in Palm Springs at the start of this year, Mr James Brander of British Columhia University said that a modest zinc price rise would lead to better profitability for smelters if they were willing to bear a bigger share of fluctuations in metal values.

In traditional treatment charge contracts for the sale of zinc concentrates by miners to smelters, the latter shoulder only 25 to 30 per cent of the metal price fluctuation risk while miners bear the rest.

Doubling to about 30 cents per pound the escalator and de-escalators – a component of the TC contract that alters as LME zinc prica changes – would put more price risk on smelters, who would then have greater incentive to curb output if prices weakened, instead of continuing flat out and offloading metal into LME warehouses, Mr Brander argued.

Mr Brain said soma business based on a redistribution of price risk was concluded last year, hut the debate only took off after most of the 1996 contracts were signed. "We are looking for this year to be more meaningful," he said.

"We would like to see higher escalators and higher de-escalators. Both eidas would have the same incentives when prices go up or down."

Cominco is the world's higgest zinc miner, producing 1m tounes of concentrates this year. Its huge Red Dog mine in Alaska, which produces lead and zinc concentrates, will raise output by 40 per cent from the second half of 1998.

Zinc treatment charges for 1996 were fixed at about $190 a tonne, based on an LME price of $1,000 a tonne.

Barrick shelves Peru plan

By Bernard Simon in Toronto

Canada's Barrick Gold has shelved plans to develop the 75 per cent-owned Cerro Colorado gold and copper property in Peru.

It said the property, located in Cajamarca province, contained "substantial" mineralisation, but that it was not sufficient to justify a mine. Cerro Colorado was estimated earlier this year to contain 3m troy ounces of gold, at a grade of 0.03 ounces a tonne, and 1bn lh of copper, grading 0.6 per cent.

Barrick has gained access to more promising properties in Peru through its recent acquisition of Arequipa Resources. It has also begun work a mina on the Quehrada de Pascua deposit in Chile's El Indio gold belt.

These projects "have the potential to make much more significant additions to reserves and production", Barrick said. Analysts said the decision to abandon Cerro Colorado was expected. Barrick will charge US$38m after tax against third-quarter earnings to reflect the project's costs

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1337-38	1372-73
Previous	1330-31	1366-67
High/low	1337.5	1378/1361
AM Official	1337.5-38.0	1372.5-73.0
Kerb close		1377-78
Open int.	218,858	
Total daily turnover	57,265	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1193-97	1219-20
Previous	1190-200	1210-20
High/low	1198/1197	1225/1219
AM Official	1197-98	1220-22
Kerb close		1225-30
Open int.	5,084	
Total daily turnover	1,042	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	757.5-58.5	763-64
Previous	748-9	754.5-5
High/low	750	764.5/756
AM Official	750-51	758-58.5
Kerb close		759-60
Open int.	36,093	
Total daily turnover	12,082	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6970-80	7080-85
Previous	6915-25	7030-35
High/low	6915/6900	7100/6970
AM Official	6920-25	7010-15
Kerb close		7080-90
Open int.	43,073	
Total daily turnover	14,810	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5970-80	6040-45
Previous	5905-15	5975-80
High/low		6050/5970
AM Official	5920-30	5990-95
Kerb close		6040-50
Open int.	16,172	
Total daily turnover	5,650	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	995-96	1020-21
Previous	994-5	1019-19.5
High/low	995	1022/1010
AM Official	994-95	1019.5-20.0
Kerb close		1020-21
Open int.	73,316	
Total daily turnover	14,636	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1912.5-14.5	1815-16
Previous	1901.5-03.5	1807-08
High/low	1913/1887	[illegible]
AM Official	1897-98	1881-82
Kerb close		1818-19
Open int.	179,245	
Total daily turnover	82,459	

■ LME AM Official £/$ rate: 1.5664
LME Closing £/$ rate: 1.5670
Spot: 1.5662 3 mths: 1.5661 6 mths: 1.5674 9 mths: 1.5657

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	89.65	+1.10	90.90	88.50	669	3,150
Nov	89.40	+1.20	90.20	89.45	80	1,774
Dec	89.10	+1.25	90.10	87.45	6,496	26,180
Jan	88.60	+1.00	89.30	88.90	47	1,289
Feb	88.30	+0.95	88.60	87.90	52	880
Mar	87.80	+0.70	88.60	87.80	475	9,222
Total					7,876	56,868

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	380.20-380.60		
Opening	378.50-378.90		
Morning fix	378.20	242.068	474.379
Afternoon fix	380.30	242.492	476.620
Day's High	380.70-381.10		
Day's Low	378.50-378.90		
Previous close	378.50-378.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....3.67 6 months 3.43
2 months ....3.58 12 months 3.60
3 months 3.39

Silver Fix	p/troy oz.	US cts equiv.
Spot	313.60	491.25
3 months	318.05	497.55
6 months	321.85	503.40
1 year	330.65	516.55

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	246-248
Maple Leaf	385.60-389.05	
New Sovereign	89-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	379.4	+1.3	379.5	378.4	183	139
Dec	382.3	+1.3	383.3	380.6	30,102	112k
Feb	384.6	+1.5	385.5	383.1	2,242	15,427
Apr	386.8	+1.6	387.1	386.0	159	11,115
Jun	388.2	+1.6	390.2	388.4	525	11,352
Aug	391.6	+1.6	-	-	180	4,192
Total					34,464	197,388

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	385.5	+1.0	386.0	385.3	650	1,018
Jan	388.3	+1.0	389.4	387.3	2,866	19,466
Apr	391.1	+1.0	392.3	391.0	93	7,264
Jul	394.1	+1.0	395.0	395.0	82	672
Oct	397.6	+1.0	398.0	397.0	25	26
Total					3,693	28,478

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	122.35	+1.85	122.40	121.50	352	7,413
Mar	123.35	+1.85	121.25	121.15	57	199
Jun	124.40	+1.85	-	-	5	115
Total					409	7,727

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	487.5	+1.7	483.0	480.0	28	18
Dec	492.7	+1.7	495.0	490.0	16,695	66,640
Jan	495.2	+1.7	-	-	2	29
Mar	500.1	+1.7	505.0	499.0	222	11,227
May	504.9	+1.7	508.5	505.0	10	6,407
Jul	509.6	+1.7	510.5	510.5	19	4,911
Total					16,978	97,749

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	24.37	+0.23	24.65	24.10	40,059	83,524
Dec	23.79	+0.21	23.96	23.57	20,645	65,820
Jan	23.20	+0.20	23.35	23.00	7,676	42,846
Feb	22.65	+0.25	22.77	22.45	3,952	29,202
Mar	22.10	+0.26	22.18	21.98	7,574	17,318
Apr	21.70	+0.21	21.72	21.54	1,539	14,314
Total					93,855	405,420

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	23.35	+0.26	23.45	23.07	16,849	44,701
Dec	22.86	+0.26	22.85	22.61	10,621	50,602
Jan	22.33	+0.28	22.33	22.03	4,907	24,437
Feb	21.86	+0.18	21.85	21.48	1,386	14,441
Mar	21.10	+0.26	21.10	20.85	1,378	15,937
Apr	20.40	+0.06	20.47	20.35	272	6,808
Total					35,662	173,457

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	72.65	+1.59	73.15	70.70	16,881	48,910
Dec	71.25	+1.51	71.80	69.65	8,294	31,140
Jan	69.25	+1.11	69.75	68.30	3,047	22,676
Feb	66.80	+0.91	67.20	66.15	791	12,624
Mar	63.40	+0.71	63.75	63.00	995	6,411
Apr	60.00	+0.66	60.20	59.70	365	3,810
Total					31,308	143,609

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	243.25	+7.50	244.00	236.75	8,063	20,845
Nov	231.50	+6.50	232.50	226.50	2,212	[illegible]
Dec	222.25	+6.25	222.75	216.00	3,282	19,579
Jan	213.75	+4.00	213.00	210.75	1,427	13,324
Feb	204.75	+3.50	205.00	202.50	513	3,222
Mar	195.50	+2.50	196.00	193.75	768	3,945
Total					16,438	87,814

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	2.200	+0.015	2.215	2.165	14,192	27,670
Dec	2.385	+0.020	2.385	2.340	4,898	20,339
Jan	2.385	+0.010	2.455	2.370	3,085	17,061
Feb	2.300	-	2.330	2.310	1,270	9,754
Mar	2.220	+0.005	2.220	2.210	608	7,437
Apr	2.085	+0.003	2.085	2.090	228	5,269
Total					28,808	136,351

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	62.50	-0.32	63.40	61.80	13,314	25,458
Dec	62.20	-0.20	62.00	61.70	3,187	11,594
Jan	62.10	+0.15	62.25	61.20	1,154	8,948
Feb	61.90	+0.30	62.15	61.90	288	2,948
Mar	62.20	+0.30	62.25	62.20	10	1,263
Apr	64.05	-	64.05	64.05	162	1,931
Total					18,593	53,634

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	103.65	+0.20	104.05	103.45	93	1,729
Jan	105.35	+0.25	105.70	105.10	234	2,089
Mar	106.80	+0.20	107.40	106.80	85	1,403
May	108.65	+0.15	109.00	108.65	47	1,035
Jul	110.65	+0.15	111.50	111.50	1	136
Total					439	6,389

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	422.50	-11.25	439.00	421.50	10,917	46,446
Mar	412.00	-8.75	425.00	411.00	2,566	14,441
May	392.00	-8.25	403.50	391.00	399	1,348
Jul	372.50	-5.00	382.00	372.00	644	5,086
Sep	375.00	-4.00	381.00	381.00	10	115
Dec	384.00	-2.00	389.00	388.00	-	94

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	292.75	-3.25	300.50	292.25	58,260	173,551
Mar	300.50	-2.50	307.25	300.25	13,985	87,524
May	306.75	-2.25	313.00	306.50	5,231	30,550
Jul	308.25	-2.50	316.00	309.00	4,666	23,068
Sep	275.25	-1.75	280.00	278.00	465	2,847
Dec	268.50	-0.50	269.50	268.25	2,306	15,626

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	101.25	+0.45	101.25	101.25	40	654
Jan	102.50	+0.70	102.50	102.40	10	696
Mar	103.75	+0.40	103.75	103.50	21	101
May	105.25	+0.45	104.50	104.50	10	70
Total					71	1,531

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	742.00	-7.25	759.00	741.00	67,193	108,847
Jan	751.25	-6.00	768.00	750.50	10,110	31,935
Mar	759.25	-6.25	770.00	759.00	5,025	16,824
May	761.00	-5.75	775.50	760.00	2,318	15,031
Jul	762.00	-6.25	777.00	762.00	2,690	17,336
Aug	756.00	-5.50	768.00	756.00	27	282

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	23.75	-0.20	24.40	23.73	3,287	3,997
Dec	24.03	-0.24	24.65	24.10	16,999	51,781
Jan	24.33	-0.24	24.85	24.32	2,247	11,827
Mar	24.70	-0.22	25.25	24.70	3,160	12,828
May	25.05	-0.18	25.65	25.10	1,594	7,677
Jul	25.33	-0.17	25.90	25.35	351	1,719

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	245.8	-2.1	251.5	245.0	7,049	13,991
Dec	243.9	-1.9	248.8	243.5	21,868	43,788
Jan	243.6	-1.8	247.5	243.2	3,934	6,724
Mar	242.0	-1.5	247.3	242.0	4,232	12,478
May	239.8	-2.3	245.0	239.5	1,616	7,967
Jul	238.8	-2.0	242.0	239.0	410	3,211

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	35.0	-	35.0	35.0	-	6
Mar	73.0	-	-	-	-	-
Apr	70.3	-2.7	71.0	70.0	25	1,304
May	81.0	-	-	-	-	-
Jun	89.5	-	-	-	-	-
Total					25	1,322

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	995	+1	995	995	1	773
Nov	1128	+13	1130	1110	170	1,518
Dec	1195	+10	1195	1180	17	518
Jan	1224	+9	1225	1215	32	1,452
Apr	1240	+9	1240	1240	11	487
Jul	1100	+5	1095	1095	25	97
Total					260	4,194

	Close	Prev
BFI	1010	1003

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): 1996 crop prices indicated between 3,600 and 4,000 CFR/FOT MEP for December onwards. US almonds (shelled), NonPareil: problem more aggressive: 23/25 Carmel SSR 5,300, standard 5% at 5,100 FAS California, October. US walnuts: LHP 20%: 5,650; In-shell 2,350 - both FAS California, October shipment. Turkish hazelnuts, standard No 1, up at 3,700 CFR; Old crop at 3,300 but supply short. Indian cashews raw: W-320, 5,600 FOB India, steady. Israeli sunflower seed: stable at 2,000, availability tight.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	986	+19	976	958	127	131
Dec	967	-6	975	965	1,063	32,744
Mar	992	-5	1002	990	2,094	36,918
May	1004	-9	1014	1004	669	20,622
Jul	1019	-8	1028	1019	162	11,334
Sep	1033	-8	1040	1034	40	3,634
Total					4,746	133,994

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1357	-3	1365	1355	5,227	30,556
Mar	1386	-4	1391	1383	933	18,528
May	1404	+14	1410	1404	144	8,157
Jul	1418	+8	1424	1424	153	5,127
Sep	1436	+12	1430	1445	83	5,652
Dec	1462	+17	-	-	5	664
Total					6,602	76,172

■ COCOA (ICCO) (SDR's/tonne)

Oct 1	Price	Prev. day
Daily	1021.88	1035.26

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1466	-67	1505	1521	113	262
Nov	1612	+9	1512	1494	2,249	14,386
Jan	1450	+6	1450	1434	1,206	7,641
Mar	1405	-2	1406	1395	909	4,210
May	1390	-	1389	1380	18	1,752
Jul	1385	-	1387	1387	8	232
Total					4,446	28,272

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	103.40	+0.65	108.00	104.25	6,478	14,362
Mar	100.80	-	103.00	100.20	1,182	5,469
May	100.85	+0.25	102.50	100.50	253	2,136
Jul	100.75	+0.05	100.75	100.75	10	768
Sep	100.75	+0.50	100.95	100.85	1	231
Dec	101.25	+0.30	101.50	101.00	28	296
Total					7,946	23,284

■ COFFEE (ICO) (US cents/pound)

Oct 1	Price	Prev. day
Comp. daily	94.65	93.48
15 day average	95.00	93.34

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	324.1	+1.5	324.0	321.5	795	11,282
Dec	320.6	+1.5	320.5	319.0	552	5,536
Mar	320.4	+1.7	319.5	318.5	186	3,910
May	322.3	+1.8	320.1	320.0	10	1,252
Oct	316.3	+2.0	315.0	315.0	15	861
Dec	318.7	+2.2	316.0	316.0	5	268
Total					1,598	27,487

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.47	+0.43	11.55	11.12	6,220	6,579
Mar	10.89	+0.11	10.89	10.76	7,119	85,169
May	10.85	+0.12	10.85	10.69	1,507	24,108
Jul	10.88	+0.08	10.89	10.59	1,014	16,453
Oct	10.60	+0.01	10.63	10.56	1,460	10,385
Mar	10.52	-	10.52	10.50	317	2,845
Total					11,423	139,385

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	77.00	+1.80	77.30	76.60	46	715
Dec	77.75	+1.59	78.10	76.55	4,982	30,825
Mar	78.86	+1.54	79.00	77.60	590	10,136
May	79.60	+1.50	79.80	78.40	74	6,857
Jul	79.80	+1.30	80.20	79.00	113	4,889
Oct	79.35	+0.95	79.55	78.50	24	1,012
Total					6,225	58,374

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	110.65	+0.60	111.45	110.05	1,187	6,890
Jan	108.50	+0.10	107.50	106.20	433	6,104
Mar	108.50	+0.25	108.25	108.25	118	2,842
May	110.25	-0.75	111.00	110.05	29	670
Jul	112.25	+0.10	112.25	112.00	79	324
Sep	113.35	+0.10	-	-	-	234
Total					1,740	17,145

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 2	Oct 1	month ago	year ago
1907.9	1882.7	1933.4	2094.3

■ CRB Futures (Base: 1967=100)

Oct 1	Sep 30	month ago	year ago
244.20	245.63		

■ GSCI Spot (Base: 1970=100)

Oct 1	Sep 30	month ago	year ago
204.31	205.22	201.11	192.64

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	73.500	-0.125	73.850	73.225	5,518	21,552
Dec	67.800	-0.275	68.225	67.300	5,743	36,844
Feb	64.975	-0.125	65.175	64.600	3,390	16,860
Apr	66.375	-0.200	66.600	66.050	1,294	8,457
Jun	63.875	-0.250	64.175	63.600	134	3,810
Aug	63.725	-0.300	64.150	63.750	270	4,211
Total					16,347	91,966

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	58.850	+1.025	58.875	57.525	2,017	5,763
Dec	58.125	+0.650	58.175	56.875	2,914	17,242
Feb	78.275	+0.725	78.325	77.250	938	5,671
Apr	73.325	+0.400	73.475	72.725	296	2,364
Jun	77.750	+0.450	77.850	77.000	238	2,604
Jul	74.850	+0.550	74.700	73.950	78	569
Total					6,613	35,041

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	79.175	+0.800	79.600	77.500	2,121	4,856
Mar	79.100	+0.700	79.550	77.700	136	869
May	80.225	+0.475	80.200	79.800	62	311
Jul	80.475	+0.775	80.200	79.000	13	127
Aug	78.300	-0.050	78.000	78.000	2	27
Total					2,333	6,300

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1300	66	110	5	21
1400	14	52	66	61
1500	3	20	145	127
■ COPPER (Grade A) LME	Nov	Feb	Nov	Feb
1800	142	173	20	62
1900	77	116	54	105
2000	36	77	112	162
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1500	42	63	30	113
1550	21	47	59	147
1600	10	34	100	185
■ COCOA LIFFE	Dec	Mar	Dec	Mar
975	32	58	40	41
1000	23	46	56	54
1025	16	36	74	69
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
2200	139	-	-	[illegible]
2250	-	-	15	91
2300	-	93	31	-

LONDON SPOT MARKETS

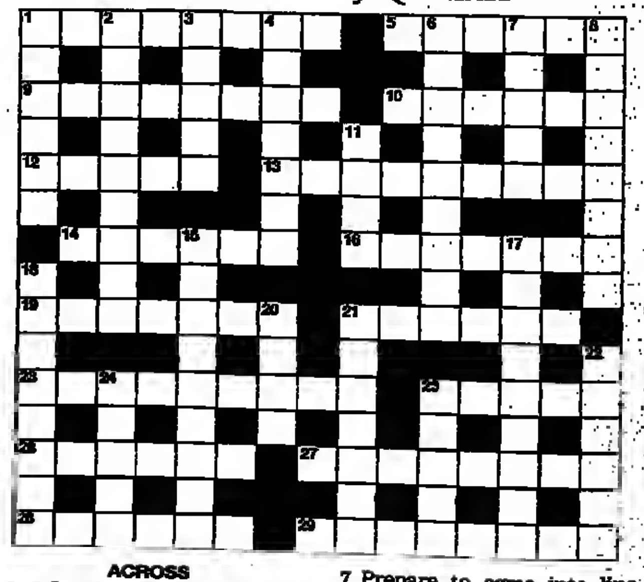
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$20.61-0.97	-0.230
Brent Blend (dated)	$23.12-3.16	+0.160
Brent Blend (Nov)	$23.14-3.16	-0.065
W.T.I.	$24.25-4.27	-0.110
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$214-216	+6.5
Gas Oil	$245-248	+3
Heavy Fuel Oil	$114-116	+2
Naphtha	$220-222	+1
Jet fuel	$261-262	+7.5
Diesel	$262-264	+7
■ NATURAL GAS (Pence/therm)		
Bacton (Nov)	13.80-3.80	-0.25
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$380.40	+1.70
Silver (per troy oz)♣	493.00c	+2.50
Platinum (per troy oz.)	$385.75	+0.75
Palladium (per troy oz.)	$120.50	+1.75
Copper	99.0c	
Lead (US prod.)	46.00c	
Tin (Kuala Lumpur)	14.80r	-0.08
Tin (New York)	278.50	-3.00
Cattle (live weight)	93.14p	-0.32*
Sheep (live weight)	113.87p	+0.86*
Pigs (live weight)†	105.61p	-3.55*
Lon. day sugar (raw)	$275.50	-8.40
Lon. day sugar (wte)	$323.70	-3.10
Barley (Eng. feed)	105.50	-2.25
Maize (US No3 Yellow)	128.00	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	85.25p	-0.25
Rubber (Dec)♥	85.25p	-0.25
Rubber (KL RSS No1)	314.0v	
Coconut Oil (Phil)§	$740.0z	+2.5
Palm Oil (Malay.)§	$507.5x	+5.0
Copra (Phil)§	$448.0z	
Soyabeans (US)	218.0	-3.0
Cotton Outlook'A' index	75.85	
Wooltops (64s Super)	420p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Oct. z Sep/Oct. London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,248 head of pigs sold.

JOTTER PAD

CROSSWORD

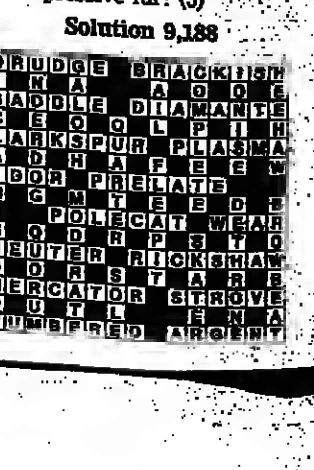
No.9,189 Set by QUARK



ACROSS
1, 5 London feature it's a battle to cross?(8,6)
9, 10 Smashing Sir led for ages with brilliance, primarily a cricketer (8,6)
12 Put down a foundation (5)
13 Physical exertion right for developing the muscles? (9)
14 Piece from Bach and Elgar or another composer (6)
16 Former state Paris confused with US (7)
19 Gemstone captivates twitch of the eye (7)
21 Kind of alcohol some waste rolling barrels (6)
23 I'm a slipper with flap inside that can't be changed (9)
25 Carmen's work period?(5)
26, 27 Sussex town sets in place wartime posts (6,8)
28, 29 Person of bad behaviour in France? (6,8)

DOWN
1 Berate West American in N American dwelling (6)
2 Scold Margaret right away disfiguring a number of books (9)
3 Salary increase producing beams, we hear (5)
4 Lubricant fit for boring (3,4)
6 Term in mathematics to bring about fundamental reason (4,5)
7 Prepare to come into line (5)
8 Adore, say, unusually simple way (4,4)
11 Look up and down (4)
15 In which competitor gets marks out of ten (9)
17 When exploded it affects the vision (5,4)
18 Friendly Channel Island sailor surrounded by fish (8)
20 It's suitable for decorative clipping (4)
21 Respect is represented in this symbol of authority (7)
22 Ship in the heart of healthy struggle (6)
24 The car test provided a theme (5)
25 The cockney's mine's impressive fur? (5)

Solution 9,188



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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orbex Fund Limited

BERMUDA (REGULATED)(**)

Aristocrat Capital Management Ltd

Bermuda Intl Invest Mgmt Ltd

Butterfield Management Co Ltd

Bank of Bermuda Ltd

Global Bond Arbitrage Fund Limited

Qis Investment Management Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mgmt (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Henderson Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Is) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stalwart Fund Managers (Guernsey) Ltd

BBK Asset Management (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

Yamaichi Capital Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd

Bank of Cyprus Group

Baring International Fund Managers (Ireland) Ltd

Christiansen Investments Plc

Coutts & Co Fund Managers Limited

Credit Lyonnais Intl Asset Mgt (HK) Ltd

Dalwan Europe Fund Mgrs Ireland Ltd

Dresdner Kleinwort Benson Int Mgt Services Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Aetna Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management (Guernsey) Ltd

Barclays Global Investment Guernsey Ltd

CIBC Fund Managers (Guernsey) Ltd

Castle Management (Guernsey) Ltd

Commercial Union Capitaux Inv Mngt

Connaught (Channel Islands) Limited

Dextrust Management Ltd

FP Consult

GYS Investment Management Ltd

Global Portfolio Management (Guernsey) Ltd

Guernsey Capital Management Limited

Hambros Fund Managers (CI) Ltd

Insinger Fund Managers (Guernsey) Ltd

Intl Bk Mgmt (Ch Is) Ltd

IPS (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Is) Ltd

Lazard Freres Asset Management (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Paragon Asset Management Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Intl Money Market Fd

LGT Asset Management Ltd - Contd.

Lombard Brothers Investment Funds Ltd

Morgan Grenfell Investment Funds Ltd

Murray Johnstone (Dublin) Ltd

Oday Asset Management Ltd

Old Mutual International Fd Mgrs Ltd

Edinburgh Unit Trust Managers (Ireland) Ltd

Federated International Funds Plc

The Fiduciary Trust Global Fund

Global Asset Management

Guinness Flight Global Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management Ltd

Prolific International Fund Plc

Scottish Value Management (Ireland) Ltd

Singer & Friedlander Inv Funds Ltd

Swiss Life Investment Fund - Protean

Tilney (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

AIG Asset Management Ltd

AON International Funds Plc

Argenta European Hedge Fund plc

Apia Dynamic Growth Fund Plc

Asia Small Cap Growth Fund

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Asian Growth Fund Plc

Asset Korea Fund

Atlantis Korean Smaller Companies Fund

BZW Asset Management Ireland Ltd

Bank of Ireland Asset Management

Baring International Fd Mgrs (Ireland) Ltd

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

Berkshire Korea Fund Plc

Blackstone Franks Managers Ireland Ltd

Bordier Invest (Ireland) Ltd

Buchanan Asset Management (Ireland) Ltd

CFP Interest Rate Arbitrage Fund Plc

Calpius Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

CIBC Fund Managers (Ireland) Ltd

Citizens Investment Trust Mngt Company

Dalwan Europe Fund Mgrs Ireland Ltd

Dongsuh Korea Fund Plc

Dresdner Kleinwort Benson Int Mgt Services Ltd

Eperion Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Cash Investment Trust Ltd

Falcon Market Fund Plc

Framlington Investment Mngt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd

Fresh Korea Fund

Fuji Investment Management Co (Europe) Ltd

GM Fund Management (Ireland) Ltd

Gartmore Korea Fund Plc

Global Resources Stock Fund

Goldman Sachs

Goldman Sachs Asset Management Ltd

HSBC UK Equity Plus Plc

HSBC UK Equity Plus II Plc

Hambros Fund Managers (Ireland) Ltd

Hanwa Ireland Ltd

Hansol Korea Venture Fund

Invesco Asset Management (Ireland) Ltd

Kim Europe Worldwide Fund

Kims Far East Fund Plc

Kims Korea Fund Plc

Kleinwort Benson Bond Arbitrage Fund Plc

Korea Balanced Return Fund

Korea CB Fund Plc

Korea Capital Growth Fund

Korea Golden Dynasty Fund Plc

Korea Investment Management Ireland Ltd

Korea Open Fund

Korea Special Opportunities Fund Plc

Korea Sprint Fund Plc

Korea Strategic Growth Fund

Korea Sunrise Fund

Korean Emerging Growth Fund Plc

Korean Power Fund

Korean Preferred Share Fund

LST Asset Management (Ireland) Ltd

Lotus Fund Plc

Marathon Asset Management (Ireland) Ltd

Matrix Fund Company Plc

Morgan Grenfell Cash & Money Market Plc

Morgan Grenfell Fixed Income Funds Plc

Morgan Grenfell Prolands Plc

National Mutual Funds Management

New Silk Road Fund

The Northern Trust Global Cash Funds Plc

Old Mutual International (Ireland) Ltd

Orient Balanced Fund Plc

Pacific 21st Century Fund

Pacific Growth Fund Ltd

Paine Webber Offshore Funds Plc

Paribas Asset Management (Ireland) Ltd

Paribas Multi-Manager Global Fund Plc

Pioneer Management (Ireland) Ltd

Prudential Securities Futures Management Inc

RMB Global Fund

J. Rothschild International Assce plc

SBC CAPM Strategies Plc

Samsung Yasuda Asia Growth Fund Plc

Sanwa International (Ireland) Plc

Scottish Amicable Investment Managers Ltd

Scottish Widows Intl Fund Managers Ltd

Sofaer Investment Mngt (Ireland) Ltd

Singer & Friedlander Closed Funds Plc

Societe Generale Group

Stellar Fund Plc

Hambros Fund Managers (Ireland) Ltd

Trainer Wortham & Company Inc

Ulster Bank Investment Services

Value Express Fund Plc

Yamaichi Samsung Dynamic Korea Fund

Yellow Sea Investment Company PLC

Yuki Korea Fund

Yuki Taiwan Fund

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngs

Allied Dunbar Intl Fund Mgrs

Ashburton Global Funds Ltd

Bank of Ireland Asset Mngmt (IOM) Ltd

CSI Fund Managers Ltd

Mercury Fund Managers (IoM) Ltd

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

Ulster Bank Global Funds Plc

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgs

Bank of Ireland Asset Mngmt (IOM) Ltd

City Financial Admin (IoM) Ltd

Douglas Lewis Inc. Mgt. Ltd

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

Sylvain International Fund Management Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Gartmore Fund Managers Intl Ltd

John Govett (Channel Islands) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Newton Fund Mgrs (CI) Ltd

Newton Fund Mgrs - Contd.

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Standard Bank Fund Mgmt (Jersey) Ltd

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

BZW Asset Management Jersey Ltd

Bank of Scotland Fund Managers (Jersey) Ltd

Barclays Intl Funds

CBI Fund Managers (Jersey) Ltd

Cater Allen Investment Management (CI)

Caxeaven International Asset Mngt Ltd (CIAM)

Citibank (CI) Ltd 'Citifunds'

Citibank N.A.

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

Henderson Fund Managers (Jersey) Ltd

John Govett Management (Jersey) Ltd

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Kerry Investment Management (Jersey) Ltd

Lloyds Private Banking Ltd

Lombard Odier (Jersey) Ltd

Lonsdell Financial Services Limited

Mercury Asset Mngt Channel Islands Ltd

Minerals, Oils Res. Shrs. Fd. Inc

Newton Fund Managers (Jersey) Ltd

Rowan Fund Managers (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

Pictet Fund (Jersey) Ltd

Seiron Investment Mngt (Jersey) Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

TSB Fund Managers (CI) Ltd

Walli Asset Management (Jersey) Ltd

Worldwide Fund Management (Jersey) Ltd

[illegible: price tables]

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (z)
4 Rue Jean Monnet, L-2180 Luxembourg 352 424940320

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity		$48.41	49.14	—	-
North America Equity		$77.54	77.89	—	-
Asian Tigers Equity		$51.37	51.80	—	-
Europe Equity		$70.89	71.24	—	-
Germany Equity		DM131.49	132.15	—	-
Japan Equity		$49.70	50.20	—	-
Europe Bond		$60.30	60.45	—	-
00 Bond		$58.15	58.30	—	-
Global Bond		$60.15	60.30	—	-
Germany Bond 0		DM107.89	108.25	—	-
Spain Bond		Pta8011	8050	—	-
Eastern Europe Equity F		DM180.18	185.71	—	-
China Equity F		$55.08	55.77	—	-
Switzerland Equity		SFr120.83	161.4	—	-

Abtrust Fund Mngrs Luxembourg SA (z)
4 Boulevard Royal L 2449 Luxembourg 00 352 227001

Abtrust Atlas Fund

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Global Cap Portfolio		$3.732		+0.005	-
United States Portfolio		$5.267		-0.002	-
Cont'l Europe Portfolio 0		DM8.575		+0.037	-
Japan Portfolio		£0.690		+0.001	-
Pacific Portfolio		$6.558xd		+0.009	-
Gold Portfolio		$6.202		+0.005	-
UK Growth of Income		£2.090		+0.015	3.61
Dollar Portfolio		$1.895xd		+0.003	7.03
Sterling Portfolio		£1.101xd		—	8.30

Aetna Master Fund (z) (x)
14 rue Aldringen, L-1118 Lux 00 352 479 98500

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Australasian Nat.		A$16.44	18.97	(z)	-
Austrian Nat Equity		Sch83.11	63.74	07	-
Belgium/Lux Nat. Eqty		BFr749	798	02	-
French Nat Equity		Fr129.9	130.09	(z)	-

Fidelity Funds - Contd.

Country Select Funds

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
ASEAN		$21.83		+0.04	-
Asian Special Situations		$11.08		+0.02	-
Australia		A$16.33		-0.07	1.30
Emerging Markets		$8.485		+0.003	-
European Sm Cos F		DM13.15		—	-
France		Fr164.34		-0.08	-
Germany		DM20.78		+0.04	-
Hong Kong		$47.48		+0.03	0.01
Iberia		Pta1613		+18	-
Indonesia		$10.18		+0.01	-
Italy		L14892		-131	-
Japan Smllr Cos		Y1007		-5	-
Korea F. 0		$8.795		-0.007	-
Latin America		$8.500		+0.018	0.68
Malaysia		$24.40		+0.12	-
Nordic		SKr177.5		+0.5	-
Singapore		$24.85		-0.34	-
Switzerland		SFr14.63		-0.01	-
Thailand		$28.29		-0.24	-
United Kingdom		£1 124		-0.003	-
Bond Funds					
European		Ecu11.06		+0.02	6.02
International		$1.040		+0.001	5.56
US Dollar		$3.540		-0.005	6.78
Sterling		£0.253		+0.001	7.22
Yen		Y1042		+3	2.82
Balanced					
European Balanced		DM12.31		-0.01	1.92

Prices as at Oct 01

Fleming Group (z)
6 Route De Treves L-2633 Senningerberg Luxembourg
00 352 34 101 or 0800 660 264

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
FFF American		$40.86	62.75	-0.15	-
FFF Amer Fledgling F		$61.89	65.58	-0.10	-
FFF Asian Smaller Cos F		$10.41	11.02	+0.05	-

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES
[illegible]

BANKS, MERCHANT
[illegible]

BANKS, RETAIL
[illegible]

BREWERIES, PUBS & REST
[illegible]

BUILDING & CONSTRUCTION
[illegible]

BUILDING MATS. & MERCHANTS
[illegible]

CHEMICALS
[illegible]

CHEMICALS - Cont.
[illegible]

DISTRIBUTORS
[illegible]

DIVERSIFIED INDUSTRIALS
[illegible]

ELECTRICITY
[illegible]

ELECTRONIC & ELECTRICAL EQPT
[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.
[illegible]

ENGINEERING
[illegible]

ENGINEERING - Cont.
[illegible]

ENGINEERING, VEHICLES
[illegible]

EXTRACTIVE INDUSTRIES
[illegible]

EXTRACTIVE INDUSTRIES - Cont.
[illegible]

FOOD PRODUCERS
[illegible]

FOOD PRODUCERS - Cont.
[illegible]

GAS DISTRIBUTION
[illegible]

HEALTH CARE
[illegible]

HOUSEHOLD GOODS
[illegible]

HOUSEHOLD GOODS - Cont.
[illegible]

INSURANCE
[illegible]

INVESTMENT TRUSTS
[illegible]

INVESTMENT TRUSTS - Cont.
[illegible]

INV TRUSTS SPLIT CAPITAL
[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

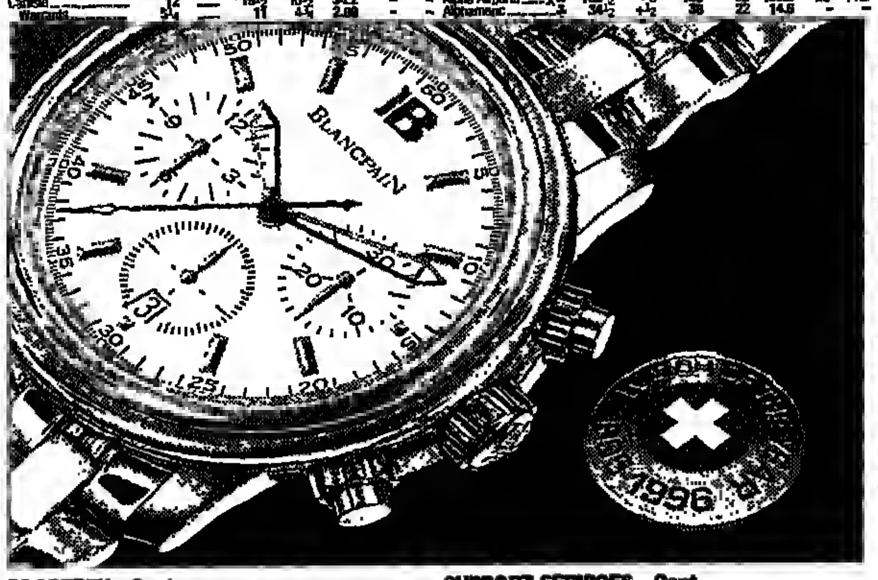
OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY



PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TELECOMMUNICATIONS - Cont.

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	G	£23¼xd	—	£34½	£22½	1,570	3.3	ϕ
Barlow	✝	£8⅞	+⅛	£10⅞	555	1,285	2.0	—
Gold Flds Prop A		137xd	—	170	120	14.0	6.2	10.7
NK Props		50	—	86	60	2.47	15.1	—
SASOL	♥	645	—	710	475	3,777	1.7	—
SA Brews		£18½	—	£20⅞	£16¼	4,859	2.1	ϕ
Standard Bank		£27⅞	+1	£32⅞	£21¼	3,237	1.4	23.3
Tiger Oats	✝	790	—	1270	770	1,189	2.0	16.3
Tongaat-Hulett		788xd	—	1247	736	747.6	2.3	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☆ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
e Rights issue pending
q Earnings based on preliminary figures.
4 Dividend yield excludes 2 special payment.
l Indicated dividend yield, p/e ratio based on latest annual earnings.
a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
2 Dividend yield includes 4 special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as 4

FID (Foreign Income Dividend)
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1358 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

FTSE 100 cruises through the 4,000 level

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

UK shares sprinted to new peaks yesterday, propelled to new highs by a wave of domestic and overseas cash. The FTSE 100, the most popular index, cruised through the 4,000 level and finished the day well clear of that figure.

Footsie eventually settled a net 22.9 higher at 4,015.1, a rise of 61.4, or 1.5 per cent, since the start of the year's fourth quarter on Tuesday.

The market's other main index – the FTSE All-Share – also moved up to a new record of 1,971.32, while other measures – the FTSE 250 and FTSE SmallCap – were sharply higher. The 250 was finally 24.4 up at 4,434.2, still 134.4 short of its all-time high, reached in April this year. The SmallCap rose 4.5 to 2,175.8, some 68 points below its peak, reached in June.

Mr Philip Isherwood, UK equity market strategist at Kleinwort Benson, who recently upped his FTSE 100 end-year forecast to 4,200 insisted "the directional risks in UK equities are still on the upside. It's 4,200 next stop."

Dealers said there was every chance the market would continue its strong run. "We've broken through the big resistance level of 4,000, and it looks like we'll run on. There are plenty of institutions starting to get very uneasy about being underweight in UK stocks and they are starting to chase the market and pay up for quality stocks," said one marketmaker. "It's the same old story, they are buying on the blue."

Aside from the good fundamentals driving the market – institutions full of cash at the start of the fourth quarter; excellent profits and dividend prospects for the leaders; a low inflation/good growth scenario – the market was increasingly excited at the prospects of more bid activity.

A story circulating around dealing rooms after the close suggested a dawn raid on a FTSE 100 or 250 stock was imminent, with Imperial Tobacco, newly-demerged from the Hanson Group, suggested as one possibility.

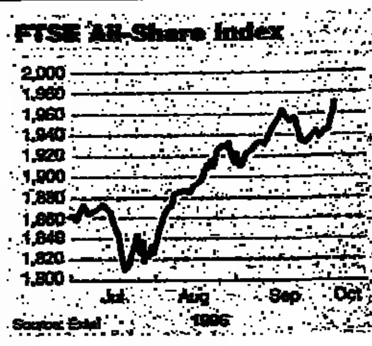
Imperial advisers said there was no evidence of a potential bidder lurking in the wings. The rise in Imperial shares was attributed to UK marketmakers having to chase stock in the absence of any sizeable flowback of stock from US investors.

Footsie was perfectly positioned to launch its attack on 4,000, with the previous night's after-hours performance by the future suggesting the index would open just above that level. But with the additional boost of Wall Street's overnight strength, which saw the Dow Jones Industrial Average race through 5,900 to yet another record, and US Treasury bonds move sharply higher, Footsie easily cleared its big hurdle.

It peaked at 4,016.4, before slipping off its best in mid-afternoon, despite the Dow putting on another powerful display.

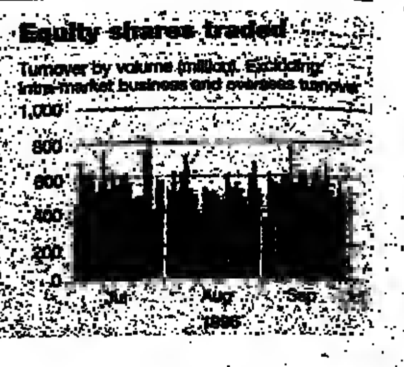
The upward march by equities gave a boost to turnover, which at the 6pm reading was 835.5m shares, the highest for many weeks. Customer business on Tuesday was valued at £1.5bn.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4015.1	+22.9
FTSE 250	4434.2	+24.4
FTSE 350	1998.0	+11.4
FTSE All-Share	1971.32	+10.65
FTSE All-Share yield	3.75	3.75
FT 30	2865.9	+4.1
FTSE Non-Fins p/e	19.22	18.26
FTSE100 Fut Dec	4046.0	+18.0
10 yr Gilt yield	7.47	7.63
Long gilt/equity yld ratio	2.11	2.10

Best performing sectors

1	Oil Exploration	+2.4
2	Oil Integrated	+1.5
3	Mineral Extraction	+1.5
4	Banks: Merchant	+1.5
5	Tobacco	+1.5

Worst performing sectors

1	Electronic & Elec	-0.8
2	Diversified Inds	-0.7
3	Alcoholic Beverages	-0.5
4	Media	-0.4
5	Transport	-0.3

Enterprise leads oils higher

By Steve Thompson, Joel Kibazo and Lisa Wood

Traditionally a favourite sector with US and other overseas investors, the oil stocks were in the forefront of the market's upsurge, with an initial burst of strength in crude oil prices followed by keen buying of individual stocks.

"A number of institutions have been holding back from the sector recently and with the FTSE 100 marching through the 4,000 level, they finally cracked and started to buy the sector," said one oil specialist.

He also said that big institutions seeking to push cash into London would pick on the big international stocks in order to build country weightings.

Enterprise Oil led the FTSE 100 pack for much of the session, eventually settling for second place in the performance table and closing 17 ahead at 571p – the stock's highest closing level since April 1991. Turnover of 2.7m shares was much higher than normal levels in the stock.

The company is taking oil sector analysts on a visit to its Italian exploration interests next week and dealers took the view that any news from the trip will not be bad news.

Lasmo was also in demand, the shares climbing 6 to 225p, the highest closing level since April 1992.

The majors were aggressively bought by US investors, with BP blasting through its previous all-time high and closing 12½ firmer at a record closing high of 685½p.

Shell also closed at a new peak, with bulls of the stock battling to drive the share price over the £10 mark and failing by the narrowest margin – a halfpenny – although it still closed 12 firmer at 997½p.

The action was not confined to the leaders. Cairn Energy raced up 22 to a record close of 396½p after news of its proposed merger with Australia's Command Petroleum. British Borneo, meanwhile, surged 26¼ to a peak of 671½p as institutions became increasingly excited with the latest exploration success off Louisiana in the Gulf of Mexico.

Scots banks up

Scottish banks occupied two of the top three positions among the best performers in the Footsie.

Shares in Bank of Scotland gained 9 to 264½p, as dealers cheered interim figures at the top end of market expectations. Turnover was a hefty 31m, its second highest daily session on record.

Analysts moved to upgrade full year profit expectations. Long time bull BZW was among those that raised their forecast. It now predicts full year profits of £660m, against a previous forecast of £635m. Suggesting it now expects dividends to grow by 19 per cent, BZW upgraded its payout estimate from 8p to 8.15p a share.

Royal Bank of Scotland was also a feature. The shares surged 16 to 516½p, as bid speculation once again surrounded the stock. Volume was 2.8m by the close.

In the rest of the sector, a two way pull in Barclays left the shares a penny lighter at 948½p, while National Westminster was in demand and the shares added 9½ to 701½p. Both stocks were heavily dealt in the traded options.

Cookson sold

Industrial materials company Cookson Group hit a 12-month low as the shares reacted to a broker's downgrade of both profits and recommendation.

The shares showed a loss of 13½ to 234½p, the worst performer in the FTSE 250 index.

Analysts at ABN Amro Hoare Govett were said to have lowered their rating on the stock from "bold" to "overvalued".

The broker is also reported to have downgraded current year profit expectations by £15m to £178m and reduced the following year's figure by £26m to £196m.

Thistle Hotels, floated at 170p closed at 172½p after heavy trade of 35m, the highest volume in the market. One analyst said that there had been considerable overseas support for the stock which could quickly be withdrawn unless there is good short term performance.

Positive press comment, together with reports of a switch into the aerospace sector, helped Rolls Royce.

The shares rose 11½ to 254p – the best individual Footsie performance of the day. Volume was 11m.

Henderson Crosthwaite was one of the main buyers of the stock and the broker was cheered that the shares had broken through its previous target of 250p.

Explaining his positive stance on the stock, Mr Brian Newman at Henderson said simply: "Trading conditions on the broad front at Rolls are proving attractive to investors." He set a new target for the stock of 290p a share.

Imperial whispers

As the session drew to a close, there were vague whispers of a dawn raid at Imperial Tobacco which only returned to the market on Tuesday. Shares in the group continued in favour and broke through the 400p barrier to close 10½ ahead at 404p. Volume was 9.5m.

United News & Media slipped 18½ to 685p because of uncertainty over its intentions towards HTV and Blenheim, which both announced interim results ahead of expectations.

The market is concerned that should United go for both it may over-stretch itself. In addition, there are fears that it could get into a contest with Carlton Communications, which is also said to be looking at HTV.

HTV softened 1½ to 352p, with HSBC James Capel changing its recommendation from "buy" to "hold."

Disappointment that Blenheim, which is understood to be in takeover talks with about three companies, did not make an announcement concerning its future at its interim results meeting, was responsible for it weakening a penny to 415p.

EMI Group fell 15¼ to 1331p after HSBC James Capel cut its forecast for the group.

Kwik Save, the food retailer which is currently reviewing its strategy, climbed 18½ to 330p on speculation – decribed by one analyst as highly unlikely – that it might be considering a merger with Iceland, which also faces problems in the high street where the big supermarkets are continuing to take market share. Iceland added 3 to 89½p.

Burn Stewart Distillers fell 10 to 81½p after the company announced the publication of preliminary results for the year ended June 30 had been delayed, pending the resolution of accounting issues.

FT 30 INDEX

	Oct 2	Oct 1	Sep 30	Sep 27	Sep 26	Yr ago	*High	*Low
FT 30	2865.9	2861.7	2834.8	2822.4	2817.8	2627.3	2866.2	2668.6
Ord. div. yield	3.95	3.97	4.00	4.01	4.02	4.06	4.22	3.76
P/E ratio net	17.46	17.37	17.25	17.20	17.14	15.82	17.46	15.80
P/E ratio nil	17.30	17.21	17.09	17.04	16.98	15.63	17.30	15.71

FT 30 since compilation, high 2865.2 19/04/96; low 49.4 26/06/40. Base Date 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2866.3	2872.5	2869.3	2863.6	2863.3	2865.8	2864.9	2864.7	2865.5	2873.2	2861.1

	Oct 2	Oct 1	Sep 30	Sep 27	Sep 26	Yr ago
SEAQ bargains	44,742	39,061	42,124	34,260	34,838	27,748
Equity turnover (£m)†	-	1501.7	1486.2	1483.3	1392.8	1931.1
Equity bargains†	-	30,709	39,455	33,380	32,091	33,675
Shares traded (mil)†	-	472.7	547.2	515.1	480.4	775.3

†Excluding intra-market business and overseas turnover.

	Oct 2	Oct 1	Sep 30	Sep 27	Sep 26	Yr ago	*High	*Low
FTSE AIM	1007.20	1019.40	1030.10	1030.20	1026.30	-	1140.40	985.70

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	841	Total Highs	188	Total contracts	62,163
Total Falls	519	Total Lows	54	Calls	28,893
Same	1,278			Puts	33,270

Oct 2 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4036.0	4046.0	+18.0	4054.0	4034.0	12679	58869
Mar	-	4058.0	+18.0	-	-	0	370
Jun	-	4068.0	+18.0	-	-	0	300

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	4460.0	+22.0	-	-	0	3571

FTSE 100 INDEX OPTION (LIFFE) (*4013) £10 per full index point

	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P
Oct	225½	2	177	3	129	5½	84½	12	46	24	19	47½	5	87
Nov	[illegible]													
Dec	[illegible]													
Jun†	[illegible]													
Jun†	[illegible]													

Calls 7,285 Puts 7,836

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P	4175 C	4175 P
Oct	198½	2½	150½	4½	104½	8	63½	16½	31	34	11	63½	2½	105	1	153
Nov	217	10	172½	14½	131	23	94	35½	62	53	37	78	19½	110	9	149
Dec	241	23	199½	31	160½	41	125	55	93½	73	68½	95½	45	123	28	155½
Mar	285½	39½			214	64½			151½	119½			100	165½		
Jun†	326½	54			259	122			199½	158			148½	203		

Calls 11,910 Puts 18,517 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Grs cov.	Grs yld	P/E net
§ -	F.P.	263.6	329½	314½	AEA Technology	329½	+13	L7.5	3.3	2.8	13.3
§100	F.P.	-	100	95	Amer Opps Ln 03/06	95		-	-	-	-
-	F.P.	12.1	68	62½	†Barbican Hlthcre	62½		-	-	-	-
§ -	F.P.	1232	179½	165½	Bramer Mond	168½	-1½	W8.45	2.0	6.3	9.9
-	F.P.	29.5	90½	81½	Cruden Bay	85		-	-	-	-
-	F.P.	211.6	196	182½	Daily Chest Grp	191½	+1	W0.1	2.7	5.8	7.9
150	F.P.	31.5	169½	167½	Delton Electn	169½		W2.75	2.9	2.0	15.9
-	F.P.	5.17	4	4	†Destmester	4		-	-	-	26.5
§146	F.P.	41.8	248	146	†Elec Retail Sys	160½	+11	-	-	-	-
§	F.P.	11.7	315	315	†Eurasia Mining	315		-	-	-	-
§	F.P.	2.36	53	41	†Heywood	45½		Z0.4	-	1.1	-
-	F.P.	225.4	242½	226½	GT Chile Growth	225½	-½	-	-	-	-
§12.5	F.P.	1.83	15¼	13¼	†Grosvenor Land	15½	-½	-	-	-	-
§85	F.P.	18.2	66½	64½	Henderson Em Asn C	65		-	-	-	-
§	F.P.	-	127	111½	Hartstone 8%	121	-½	-	-	-	-
-	F.P.	-	404	392½	Imperial Tobacco	404	+10	-	-	-	-
§12	F.P.	0.60	15	12	†Life Numbers	12		-	-	-	-
§	F.P.	0.18	8	2	†Life Numbers Wts	5		-	-	-	-
-	F.P.	1,192	£16$\frac{11}{16}$	£16$\frac{1}{16}$	Millenium Chem	£16⅛	-⅛	Q60c	-	2.4	-
-	F.P.	0.38	8	3	Pemberstone Wrts	8		-	-	-	-
68	F.P.	16.0	106	100	†/Personal No Co	103½		-	-	-	-
§65	F.P.	12.1	70½	69½	†Polydoc	70½		-	-	-	-
§100	F.P.	81.5	96	90¼	Schroder Em Cos	93½		-	-	-	-
§	F.P.	6.89	40	31	Schroder Em Wts	39½	+½	-	-	-	-
-	F.P.	8.61	137½	132½	Shaftesbury	137½		R4.0	2.1	3.5	11.3
§	F.P.	9.87	7¾	6¾	†Weeks Group	7½		0.09	4.8	1.5	17.3

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 1	% chg on day	Sep 30	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1869.29	+0.9	1851.64	1986.73	1.64	-	2520.73	1722.93
Regional Indices								
Africa (13)	2453.23	+1.1	2425.63	2744.76	3.25	34.67	3553.86	2272.74
Australasia (6)	2005.75	-2.8	2064.26	2398.36	2.77	18.58	2927.34	2005.75
North America (12)	1688.26	+1.5	1662.70	1709.53	0.76	64.04	2166.39	1488.94

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Oct 2	Day's chge%	Oct 1	Sep 30	Sep 27	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4015.1	+0.6	3992.2	3953.7	3946.4	3544.1	3.90	2.05	15.68	145.61	1668.10
FTSE 250	4434.2	+0.6	4409.8	4391.1	4406.2	3983.9	3.44	1.55	23.46	149.46	1604.23
FTSE 250 ex IT	4463.6	+0.5	4439.7	4420.7	4437.9	4010.4	3.54	1.57	22.41	157.13	1820.04
FTSE 350	1998.0	+0.6	1986.8	1969.8	1958.4	1770.7	3.80	1.95	18.88	71.52	1695.75
FTSE 350 Higher Yield	1905.7	+0.5	1895.2	1881.3	1883.6	1757.8	5.06	1.64	13.41	92.48	1362.62
FTSE 350 Lower Yield	2097.5	+0.6	2085.2	2065.4	2060.1	1788.5	2.65	2.15	22.00	51.10	1465.14
FTSE SmallCap	2175.81	+0.2	2171.27	2167.10	2170.08	1973.79	3.12	1.59	25.18	55.35	1604.94
FTSE SmallCap ex IT	2167.21	+0.1	2164.32	2158.92	2163.95	1959.07	3.33	1.66	22.54	58.62	1810.38
FTSE All-Share	1871.32	+0.5	1960.67	1945.00	1943.93	1749.84	3.75	1.93	17.31	69.03	1696.48

FTSE Actuaries Industry Sectors

	Oct 2	Day's chge%	Oct 1	Sep 30	Sep 27	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3911.30	+1.5	3853.05	3811.25	3797.20	2980.46	3.56	1.63	21.63	126.66	1707.00
12 Extractive Industries(6)	4282.00	+0.9	4243.89	4245.34	4242.98	4278.77	3.79	2.66	12.39	161.60	1276.12
15 Oil, Integrated(3)	4031.04	+1.5	3970.82	3921.24	3900.95	2950.98	3.71	1.45	23.27	133.46	1805.70
16 Oil Exploration & Prod(15)	2937.80	+2.4	2868.74	2831.71	2846.31	1984.39	1.90	1.67	41.52	51.73	1779.92
20 GEN INDUSTRIALS(276)	2115.66	+0.2	2110.84	2096.39	2090.39	2003.90	4.04	1.74	17.84	70.44	1175.22
21 Building & Construction(34)	1203.03	+0.7	1194.79	1193.64	1193.45	929.89	3.46	1.53	23.49	31.44	1018.22
22 Building Matls & Merchs(29)	1995.08	+0.8	1977.64	1966.32	1961.56	1759.22	3.86	1.53	21.21	60.66	1021.93
23 Chemicals(25)	2556.91	+0.5	2534.84	2518.64	2508.25	2480.12	3.98	1.53	20.67	85.30	1232.12
24 Diversified Industrials(19)	1566.24	-0.7	1579.05	1565.23	1565.65	1781.11	5.46	1.62	11.91	67.44	902.96
25 Electronic & Elect Equip(37)	2386.62	-0.9	2405.77	2398.27	2406.28	2178.24	3.30	1.46	25.96	60.73	1256.91
26 Engineering(71)	2662.11	+0.5	2649.63	2628.68	2614.91	2223.72	3.06	2.45	16.70	63.00	1635.11
27 Engineering, Vehicles(14)	3304.57	+0.7	3282.84	3229.52	3151.06	2685.31	3.26	1.71	22.40	98.21	1741.65
28 Paper, Pckg & Printing(28)	2684.55	+0.4	2673.86	2660.21	2663.63	2931.41	3.87	1.83	17.70	94.65	1136.36
29 Textiles & Apparel(19)	1166.53	+0.2	1164.71	1163.76	1195.97	1616.57	6.01	1.18	17.96	50.38	737.35
30 CONSUMER GOODS(83)	3793.88	+0.9	3771.01	3735.92	3731.55	3425.69	6.77	1.95	17.02	128.46	1425.72
32 Alcoholic Beverages(6)	2787.88	-0.5	2801.66	2779.36	2773.32	2967.49	4.56	1.63	16.86	91.68	1018.26
33 Food Producers(25)	2588.71	-0.2	2594.99	2582.38	2598.23	2511.22	4.06	1.86	18.51	82.96	1186.47
34 Household Goods(15)	2713.84	+0.3	2706.57	2721.22	2718.18	2544.71	3.75	2.26	14.77	64.87	1044.78
36 Health Care(19)	2056.18	+0.4	2047.68	2035.87	2043.21	2015.57	2.88	1.97	22.01	42.70	1260.83
37 Pharmaceuticals(14)	5932.37	+1.2	5864.15	5800.54	5754.99	4516.73	2.83	2.06	21.45	162.93	2046.55
38 Tobacco(2)	3725.18	+1.5	3671.58	3604.36	3676.36	4603.92	6.98	2.11	6.52	262.07	959.30
40 SERVICES(255)	2579.89	-0.1	2581.23	2561.98	2566.57	2186.77	2.88	1.97	22.07	68.43	1359.87
41 Distributors(30)	2833.98	+0.3	2826.49	2832.00	2850.07	2746.92	2.99	2.01	20.81	73.30	1058.83
42 Leisure & Hotels(25)	3146.94	-0.2	3153.00	3141.93	3134.54	2495.69	2.77	2.03	22.20	172.03	1710.79
43 Media(45)	4377.49	-0.4	4397.27	4360.29	4354.99	3359.02	2.09	2.05	29.24	67.14	1600.52
44 Retailers, Food(15)	1943.88	.....	1944.72	1928.94	1934.70	2129.32	4.03	2.37	13.09	63.49	1256.85
45 Retailers, General(45)	2138.06	+0.2	2134.38	2114.72	2126.51	1807.02	3.00	2.08	20.06	54.80	1237.98
47 Breweries, Pubs & Rest.(22)	3124.77	+0.3	3115.01	3098.06	3113.24	2638.35	3.31	1.97	19.20	68.21	1515.16
48 Support Services(50)	2571.85	+0.4	2561.41	2547.31	2555.04	1859.15	1.91	2.29	28.48	42.53	1648.15
49 Transport(23)	2550.50	-0.3	2557.26	2531.37	2524.53	2226.22	3.71	1.12	30.12	81.83	1063.43
60 UTILITIES(33)	2307.02	+0.8	2289.82	2268.58	2288.64	2580.38	5.48	1.80	12.68	158.45	1027.21
62 Electricity(12)	2390.64	+1.3	2361.06	2334.13	2380.23	2774.90	6.37	2.40	8.18	429.17	1294.52
64 Gas Distribution(2)	1342.73	+0.5	1335.47	1342.87	1349.99	1763.22	8.92	0.83	16.86	66.67	704.27
66 Telecommunications(8)	1955.10	+0.5	1945.32	1924.76	1933.49	2173.02	4.13	1.53	19.80	50.32	908.11
68 Water(11)	2202.73	+1.0	2181.93	2158.36	2207.06	2135.00	6.25	2.31	8.65	94.85	1245.80
69 NON-FINANCIALS(671)	2072.47	+0.4	2063.15	2045.95	2046.53	1873.07	3.74	1.84	18.22	73.48	1602.94
70 FINANCIALS(104)	3238.26	+0.8	3208.18	3185.49	3172.52	2631.42	4.10	2.38	12.81	117.83	1423.29
71 Banks, Retail(8)	4651.50	+0.9	4608.77	4565.39	4542.57	3622.69	3.80	2.72	11.79	174.00	1554.39
72 Banks, Merchant(6)	3752.70	+1.5	3698.04	3678.68	3709.88	3606.27	2.78	2.85	18.77	91.01	1206.53
73 Insurance(21)	1506.58	+1.0	1491.45	1484.39	1482.08	1326.18	5.57	2.29	9.79	60.41	1151.86
74 Life Assurance(6)	3700.13	+0.9	3665.84	3644.39	3616.63	3017.23	4.18	1.94	15.38	151.01	1573.18
77 Other Financial(20)	2662.87	+0.2	2657.64	2654.50	2657.08	2357.87	4.01	1.77	17.84	86.41	1543.18
79 Property(41)	1676.07	+0.9	1661.52	1655.20	1647.96	1445.66	3.62	1.26	26.00	45.59	1047.24
80 INVESTMENT TRUSTS(127)	3241.72	+0.8	3216.41	3207.09	3202.26	2942.52	2.20	1.11	51.04	57.31	1142.37
89 FTSE All-Share(902)	1971.32	+0.5	1960.67	1945.00	1943.93	1749.84	3.75	1.93	17.31	69.03	1698.48
FTSE Fledgling	1239.97	.....	1238.90	1238.92	1238.78	1074.75	2.81	0.62	71.47	27.60	1309.89
FTSE Fledgling ex IT	1249.35	-0.1	1250.20	1250.76	1250.85	1071.29	3.02	0.54	76.68	30.22	1322.06

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4004.2	4013.5	4010.4	4002.8	4007.1	4012.2	4010.8	4012.4	4013.3	4016.4	4001.5
FTSE 250	4416.8	4422.1	4423.8	4424.8	4428.4	4429.4	4431.3	4433.0	4433.4	4434.3	4416.8
FTSE 350	1992.0	1996.2	1995.1	1992.2	1994.1	1996.3	1996.0	1996.8	1997.1	1998.3	1991.4

Time of FTSE 100 Day's high: 3:15 PM Day's low: 11:10 AM. FTSE 100 1996 High: 4015.1 (02/10/96) Low: 3632.3 (16/07/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1172.1	1173.8	1175.4	1177.1	1177.0	1179.5	1179.7	1179.4	1179.3	1179.3	1167.5	+11.8
Pharmaceuticls	5814.7	5842.2	5845.2	5826.4	5838.1	5850.0	5847.4	5849.7	5861.8	5862.9	5794.5	+68.3
Water	2180.7	2184.8	2184.6	2185.4	2189.4	2191.1	2190.2	2189.2	2188.5	2189.1	2167.9	+21.2
Banks, Retail	4687.1	4691.3	4687.0	4686.8	4684.8	4691.3	4691.9	4694.5	4711.0	4711.0	4667.6	+43.4

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. Auditor: The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: John Lusty (Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	2,600	497½	+9½
ASDA Group†	3,900	104¼	-1¼
Abbey National†	2,400	606½	+8
Albert Fisher	749	39¼	
Allied Domecq†	2,800	448½	-3½
Anglian Water	556	558½	+12
Argos†	219	770	+8½
Arjo Wiggins	2,200	171	-1
Assoc. Brit. Foods†	679	413	+½
Assoc. Brit. Ports	2,400	287	
BAA†	1,800	495½	-4
BAT Inds.†	6,100	437	+5½
BBA	1,700	348½	+4
BICC	669	294	+½
BOC†	880	873½	-1½
BP†	6,700	685½	+12½
BPB Inds.	3,500	386	+3½
BSkyB†	861	591	-2
BT†	8,400	382½	
BTR†	8,200	275½	+1
Bank of Scotland†	31,300	264½	+9
Barclays†	4,700	948½	-1
Bass†	1,000	730	+7
Blue Circle†	2,200	384½	+4½
Booker	445	387½	+4
Boots†	2,700	628½	-1
Britannic	255	710	+19
Brit. Aerospace†	2,100	1098½	+25½
British Airways†	7,400	559½	+3
British Biotech	1,200	208½	-1
British Energy	2,800	103½	
British Gas†	9,000	199½	+1
British Land	1,400	472½	+11½
British Steel†	4,100	194¾	-¼
Bunzl	676	239½	+1
Burmah Castrol†	381	1146	+2½
Burton†	20,600	145¾	
Cable & Wire†	6,800	449½	-1
Cadbury Schweppes†	5,200	508	-8½
Caradon	434	248½	+½
Carlton Comms.†	1,600	469	-15
Chubb	1,800	316	
Coats Viyella	1,400	149½	+1½
Comm. Union†	1,200	607	+4
Compass	1,500	574	+7
Cookson	14,100	234½	-13½
Courtaulds†	1,600	485	+6½
Dalgety	569	304	
De La Rue	167	594½	-½
Dixons†	6,600	537½	+6½
EMI†	2,000	1331	-15¼
East Midland Elect.	1,000	546½	+11
Electrocomps	421	385	+3½
Eng China Clays	138	197½	+½
Enterprise Oil†	2,800	571	+17
FKI	7,800	213	+3
Foreign & Col. I.T.	843	158¾	+1¼
Gen. Accident†	950	686½	+5½
General Elect.†	6,400	380	-7
Glaxo Wellcome†	6,200	1084½	+13½
Glynwed	85	370	+2
Granada†	3,100	881	-1½
Grand Met.†	3,900	478½	-1
GUS†	1,300	638½	-1
Greenalls	686	575½	-1½
GRE†	1,400	259	+1
GKN†	1,400	1170	+21
Guinness†	2,400	459½	-3
HSBC (75p shs)†	1,300	1231½	+2
Hammerson	118	382½	+2½
Hanson†	7,600	91¼	-3¼
Harrisons Crosfield	366	142	-2
Hays	1,000	477	+4
Hillsdown	232	191	
Hyder	311	731	+6
IMI	945	405½	+5½
ICI†	1,600	875½	+17
Imperial Tobacco†	9,500	404	+10½
Inchcape	2,000	267½	-3
Johnson Matthey	931	596	-15
Kingfisher†	1,500	644½	+7½
Kwik Save	1,300	330	+18½
Ladbroke†	1,600	208½	-1
Land Securities†	1,700	708½	+5½
Laporte	567	745	-4
Legal & General†	1,400	806	-1½
Lloyds Abbey	2,800	537	+6
Lloyds TSB†	7,400	389½	+5
LASMO†	4,400	225	+6
London Elect	1,600	635	+16
Lonrho	834	169½	-2
LucasVarity†	8,700	256½	-½
MEPC	1,500	443½	+5
MFI	333	167	-½
Marks & Spencer†	2,800	510	+1½
Mercury Asset Man	589	1027½	+8½
Morrison (Wm.)	823	155½	
NFC	3,900	185	+4
NatWest Bank†	6,700	701½	+9½
National Grid†	5,200	178½	+3½
National Power†	3,500	400	+1½
Next†	660	585	-2
Northern Elect.	191	831	+10
Northern Foods	573	198	+1
Orange†	1,700	191½	+4
Pearson†	1,100	684½	+1
P & O†	2,300	625	+6
Pilkington†	1,500	189½	+2
PowerGen†	2,800	488	+2
Premier Farnell	418	687½	+5
Provident Financial	949	498½	
Prudential†	2,700	453½	+5
REXAM	2,600	400½	+2
RMC†	435	1189	+22
RTZ†	1,100	988½	+10
Racal	3,000	301½	-2
Railtrack†	7,900	297½	-5
Rank Org.†	5,300	426½	-1½
Reckitt & Colman†	563	713½	+6
Redland†	1,000	481½	+2
Reed Intl.†	802	1189½	+8
Rentokil†	1,900	425½	+1½
Reuters†	5,500	747	-1½
Rolls Royce†	11,100	254	+11½
Royal & Sun Alliance†	5,700	419½	+7
Royal Bk Scotland†	2,800	516½	+16
Safeway†	1,600	336	+2
Sainsbury†	3,800	368½	-4
Schroders†	115	1405	+20
Scottish & New.†	1,900	665	-6½
Scot. Hydro-Elect.	1,500	285½	+3
Scottish Power†	3,200	314	+5½
Sears	2,400	93	+½
Sedgwick	3,400	122	+3
Severn Trent†	702	598	+5½
Shell Transport†	3,400	997½	+12
Siebe†	1,900	891½	-15½
Slough Ests	759	250½	+6
Smith (W.H.)	135	476	+3½
Smith & Nephew†	1,700	206	-½
SmKl Beecham†	3,000	801	+6½
Smiths Inds.†	1,300	791	-17½
Southern Elect†	1,100	836	+6½
South West Water	63	694	+6½
Standard Chartd.†	1,400	700½	+4½
Storehouse	8,100	309½	+8
T&N	1,500	134½	+1½
TI Group†	700	584½	-8
Tarmac	467	93	
Tate & Lyle†	2,500	488	-½
Taylor Woodrow	1,700	158½	
TeleWest Comms	1,200	121	
Tesco†	5,100	308	+2½
Thames Water†	1,100	554½	+6
Thorn	2,700	367	[illegible]
Tomkins†	1,400	282	+2
Unigate	826	415	+2½
Unilever†	2,600	1372½	-1
United Biscuits	2,400	198½	-3½
Utd. News & Media†	3,600	685	-18½
United Utilities†	820	580½	+3½
Vodafone†	15,900	228½	+6
WPP	2,300	239	+2
Wessex Water	1,400	380	+3½
Whitbread†	1,500	704	+4½
Williams Hldgs.†	2,400	359½	+5½
Willis Corroon	822	127½	+2
Wimpey	2,500	130	+2
Wolseley†	401	494	+4½
Yorkshire Elect	2,300	772½	+23
Yorkshire Water	986	642½	+8½
Zeneca†	2,300	1630	+26

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

POLAND (Oct 2 / Zloty)

		+/-	High	Low	Yld	P/E
Elktrm	26.60	-1	*28	8.35	0.7	—
Srbud	25.10	+.20	*40.75	22.20	—	—
Metal	14.90	+.10	*14.80	8.40	—	—
Wedel	154	+3	*150	82	0.8	—
Wbank	19	—	*25	17.80	1.8	—
Zywiec	183.60	—	*235	140	1.2	—

PORTUGAL (Oct 2 / Escudo)

		+/-	High	Low	Yld	P/E
BCO Pt	1,815	-15	2,300	1,401	6.5	—
BCPort	1,875	+3	2,250	1,875	3.2	—
BESact	2,395	...	2,600	2,040	4.4	—
BancTA	2,790	-10	3,120	2,312	7.0	—
MadCnt	4,585	—	4,800	3,430	1.4	—
PTelcm	4,037	-6	4,100	2,705	2.3	—
Sonlnv	4,530	-1	4,590	3,075	3.3	—
Unicer	2,896	+38	3,000	2,260	3.8	—

INDICES

	Oct 2	Oct 1	Sep 30	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	18862.46	18851.0	18881.95	20/5	13297.25	22/8
Australia							
All Ordinaries(1/1/80)	2314.6	2285.5	2290.4	2328.00	26/4	2098.10	17/7
All Mining(1/1/80)	939.5	931.8	952.5	1118.40	8/5	923.10	23/8
Austria							
Credit Aktien(30/12/84)	368.65	361.52	361.35	394.89	31/5	349.19	6/9
Traded Index(2/1/91)	1069.13	1053.53	1054.19	1142.51	28/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1790.52	1778.16	1771.23	1790.52	2/10	1574.90	2/1
Brazil							
Bovespa(29/12/83)	(u)	65218.0	64469.0	66522.00	12/7	43901.00	2/1
Canada							
Metals Minls‡(1975)	(u)	5008.95	4988.87	5524.80	8/5	4687.47	16/1
Composite‡(1975)	(u)	5329.55	5291.08	5329.55	1/10	4739.70	15/1
Portfolio§§(4/1/83)	(u)	2615.84	2602.79	2624.25	25/6	2327.39	12/1
Chile							
IGPA Gen(31/12/80)	(u)	5421.74	5414.93	5804.33	8/1	5215.26	8/4
Denmark							
CopenhagenSE(3/1/83)	435.15	437.19	433.55	437.19	1/10	358.40	2/1
Finland							
HEX General(28/12/90)	2191.40	2186.24	2174.14	2191.40	2/10	1651.67	10/1
France							
SBF 250(31/12/90)	1436.97	1426.77	1430.13	1467.56	6/6	1250.18	2/1
CAC 40(31/12/87)	2141.84	2123.21	2132.81	2148.78	30/4	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	936.05	931.98	926.77	936.05	2/10	848.56	2/1
Commerzbank(1/12/53)	2724.00	2711.70	2698.1	2724.00	2/10	2320.10	2/1
DAX(30/12/87)	2678.50	2655.73	2651.85	2678.50	2/10	2284.98	2/1
Greece							
Athens SE(31/12/80)	965.66	960.39	953.61	1017.98	4/3	872.99	7/8
Hong Kong							
Hang Seng(31/7/64)	11951.88	11921.22	11902.43	11951.88	2/10	10204.87	2/1
India							
BSE Sens.(1979)	3228.80	3226.80	3239.48	4068.28	18/6	2826.88	25/1
Indonesia							
Jakarta Comp.(10/8/82)	589.30	580.21	573.94	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2675.45	2656.85	2653.72	2675.45	2/10	2224.61	2/1
Italy							
Banca Comm Ital.(1972)	63..99	629.10	635.79	674.10	20/5	572.21	27/3
MIB General(2/1/86)	1078.0	1071.0	1078.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21498.60	21482.97	21556.40	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	303.37	304.07	304.57	319.70	25/6	284.48	11/3
Topix(4/1/68)	1620.21	1622.91	1627.55	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2113.22	2107.10	2109.15	2251.48	2/7	1882.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1139.32	1134.96	1135.27	1189.54	30/4	983.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3285.48	3236.32	3433.76	27/8	2736.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	676.1	669.1	668.4	676.10	2/10	538.50	2/1
CBS All Shr(End 83)	397.2	393.1	392.7	397.20	2/10	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2221.35	2212.58	2190.26	2248.19	24/9	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1434.45	1413.22	1402.68	1486.71	12/6	1259.88	30/1
Philippines							
Manila Comp(2/1/85)	3171.88	3189.96	3169.73	3374.40	5/7	2578.97	2/1
Portugal							
BVL 30(4/1/93)	1992.95	1982.24	1985.10	2009.78	10/9	1602.81	2/1
Singapore							
SES All-S'pore(2/4/75)	525.17	526.07	529.50	610.37	3/2	522.15	30/7
South Africa							
JSE Gold(28/9/78)	1731.8¶	1677.2	1653.7	2030.40	29/5	1348.40	2/1
JSE Ind.(28/9/78)	8204.2¶	8134.1	8130.6	8739.30	25/1	7835.60	30/8
South Korea							
KoreaCmpEx**(4/1/80)	794.01	789.47	799.57	986.84	7/5	763.35	28/8
Spain							
Madrid SE(30/12/85)	371.83	370.10	368.27	373.25	1/7	323.75	11/1
Sweden							
AffarsvarldsGen(1/2/37)	2108.3	2115.5	2091.3	2115.50	1/10	1708.60	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1788.82	1779.75	1779.54	1811.88	11/7	1516.18	17/1
SBC General(1/4/87)	1265.97	1259.53	1258.59	1284.98	11/7	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	6538.24	6513.73	6504.68	6566.41	29/6	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1058.68	1065.64	1099.01	1416.04	6/2	982.03	10/9
Turkey							
Istanbul Cmp.(Jan 1986)	73846.7	71331.5	72452.9	73846.70	2/10	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	791.3	778.9	787.4	795.60	27/9	725.98	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1745.79	1731.72	1724.86	1745.79	2/10	1504.80	11/1
Euro Top-100(26/6/90)	1485.85	1475.30	1471.83	1485.85	2/10	1333.01	11/2
HSBC JC Drgn(31/12/88)	(u)	387.12	386.98	387.12	1/10	344.19	2/1
ING Brngs Emrg(7/1/92)	(u)	150.96	150.90	165.81	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Oct	2139.0	2149.0	+21.5	2154.0	2138.0	39	27,574
Dec	2160.0	2159.0	+21.0	2162.0	2149.0	1,081	16,592
DAX							
Mar	2680.0	2699.0	+30.0	2701.0	2676.5	21,232	77,341
Dec	2700.0	2717.5	+30.5	2718.0	2699.0	96	4,148
OMX							
Sep	1650.00	1637.50	−3.5	1655.00	1635.00	3,371	22,704
Oct	1650.00	1650.00	+11.5	1650.00	1650.00	10	1,794
SOFFEX							
Sep	3736.5	4425.0	+740.0	3737.0	3679.0	500	1,307
Oct	3741.0	3688.0	−39.7	3741.0	3689.0	3,352	8,841

** Sat Sep 28. Taiwan Weighted Price (c) : Korea Comp Ex (c) . Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 2 - 2685.29 +30.88

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

US INDICES

Dow Jones	Oct 1	Sep 30	Sep 27	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5904.90	5882.17	5872.92	5904.90 (1/10)	5032.94 (10/1)	5904.90 (1/10/96)	41.22 (8/7/32)
Home Bonds	102.18	102.25	102.61	106.09 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2084.10	2079.02	2067.64	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	218.35	218.88	218.14	234.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 5942.17 (5934.32) Low 5853.72 (5845.10) (Theoretical♦)
Day's high 5922.70 (5907.22) Low 5870.24 (5872.55) (Actual♦)

Standard and Poors	Oct 1	Sep 30	Sep 27	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	689.08	687.31	686.20	689.08 (1/10)	598.48 (10/1)	689.08 (1/10/96)	4.40 (1/6/32)
Industrials‡	813.99	812.85	811.15	814.67 (20/9)	702.07 (15/1)	814.67 (20/9/96)	3.52 (30/6/32)
Financial	73.02	72.38	72.36	73.02 (1/10)	58.67 (10/1)	73.82 (1/10/96)	7.13 (4/9/74)
NYSE Comp.	368.18	367.33	368.27	368.18 (1/10)	321.41 (10/1)	368.18 (1/10/96)	4.64 (25/4/42)
Amex Mkt Val	568.55	571.49	568.47	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1221.51	1228.82	1230.05	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (3/10/74)

RATIOS

	Sep 27	Sep 20	Sep 13	Year ago
Dow Jones Ind. Div. Yield	2.17	2.16	2.17	2.42
	Sep 25	Sep 18	Sep 11	Year ago
S & P Ind. Div. yield	1.97	1.98	2.02	2.07
S & P Ind. P/E ratio	22.54	22.41	21.84	17.94

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Lucent	8,512,200	43⅝	-2½
Pepsico	7,267,900	28¾	+⅛
Micron Tech	7,185,100	29⅞	-1⅜
Coca Cola	6,681,000	50⅛	-¾
K-Mart	6,652,200	10½	+¼
AT & T	6,046,500	38⅜	+1½
Am Online	5,435,000	31⅝	-3¼
Unisys	3,702,200	6⅝	+⅛
Chrysler	3,074,400	29⅛	+⅛
Fed Natl	2,955,900	35⅝	+1

TRADING ACTIVITY

● Volume (million)

	Oct 1	Sep 30	Sep 27
New York SE	411.293	361.420	406.786
Amex	18.035	17.381	18.168
NASDAQ	563.699	534.243	569.698
NYSE			
Issues Traded	3,224	3,250	3,207
Rises	1,309	1,306	1,296
Falls	1,063	1,072	1,008
Unchanged	852	872	903
New Highs	128	181	123
New Lows	22	29	33

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Dec	695.00	696.90	+1.80	697.80	694.90	68,732	176,572
Mar	703.95	703.15	+1.80	703.95	703.15	391	3,971

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Dec	21560.0	21510.0	+10.0	21570.0	21440.0	12,906	188,750
Mar	21550.0	21550.0	–	21550.0	21550.0	15	10,230

Open interest figures for previous day.

NORTH AMERICA

CANADA

TORONTO (Oct 2 / Can $)

4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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TOKYO - MOST ACTIVE STOCKS: Wednesday, October 2, 1996.

	Stocks Traded	Closing Prices	Change on day
Sumitomo Seika	7.9m	848	+16
Hitachi	6.0m	1,090	+10
Nippon Steel	4.5m	345	
NKK	4.3m	293	+5
Miyakoshi	4.0m	950	-140
Nissho Iwai	3.5m	528	+6
Ga-Jo-En Kanko	3.3m	105	-2
Keisei El Rail	3.3m	1,130	+10
Mitsubishi Hvy	2.9m	313	
Kawasaki Steel	2.8m	379	+5

NEW YORK STOCK EXCHANGE PRICES

4 pm close October 2

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23⅞	17¾	AAR	0.48	2.1	20	111	23	22¾	23	+⅛
46⅛	36⅛	AMP	1.00	2.6	10	4344	39⅜	38¾	38¾	+⅛
97½	56	AMR			16	7143	79¾	79½	79½	-⅜
50½	37⅜	ASA	2.00	5.1	23	624	39¼	38⅞	39¼	+¼
49⅜	36⅛	AbbtL	0.06	1.0	21	7940	u49¾	49⅛	49⅜	
17¼	12¼	Abitibi Pr	0.40	3.0	6	1364	13⅜	13	13⅛	+½
20¼	13½	ABM Ind	0.35	2.1	17	71	16⅞	18⅝	16⅞	+⅛
10	13⅞	Acptncein			39	0	10⅞	18⅝	18⅞	+¼
54¼	37¾	ACE Ltd	0.58	1.0	13	1358	u54¼	53½	54¼	+1⅜
10⅛	9⅛	ACM Gvt In x	0.48	4.9	9	42	10	9⅞	0⅞	-¼
7⅞	9⅜	ACM GrOpp x	0.67	0.3		286	7	0⅞	6⅞	-⅛
9⅝	8⅝	ACM Man x	0.90	9.5		191	9½	9⅜	9½	-⅛
13⅞	6⅛	Acme Elect	0.32	4.1	121	66	7⅞	7¾	7⅞	
17⅛	13⅞	Acme Mills			11	16	17⅜	17¼	17⅜	
33¾	27¾	Acordia	0.72	2.4	17	15	30¼	30¼	30¼	+⅛
21⅜	12	Acuson			66	2778	17½	17⅛	17¼	
20⅛	17⅞	Adams Expr	0.48	2.4	1	110	u20⅛	20	20	-⅛
21¼	10¼	AdvMic			9	5772	14⅞	14⅛	14½	+⅛
11⅛	8½	Advest Grp	0.18	1.6	7	79	10	9⅞	10	+⅛
26⅛	6⅛	Advo Inc	0.10	0.86	31	264	12⅞	12⅛	12⅝	+½
51½	41⅛	Aegon	1.45	2.0	15	46	50½	49¾	50⅛	-⅛
8¾	3½	Aerflx			3	257	4⅜	4½	4½	-¼
70⅞	57⅝	Aetna	0.80	1.1	7	3776	70⅛	69½	70	+¼
37⅜	28¼	Aflac	0.40	1.1	15	1754	u37⅜	36¾	37¼	+1
21⅛	17⅛	AGL Res	1.06	5.5	16	288	18⅝	19⅛	19⅜	-⅛
29	21¾	Ahmnsn	0.88	3.1	0	5723	u29	28¼	28⅝	+⅛
56⅜	50⅜	AirPrC x	1.10	1.0	15	2046	58⅝	58	58½	+¼
28⅜	19⅞	Airbne Frt	0.30	1.4	14	616	21¾	21¼	21⅜	+⅛
25½	15½	Airgas Inc			40	280	25⅜	25	25	-¼
18¾	13¼	Airlease x	1.00	12.1	6	28	15⅛	14⅞	14⅞	-¼
33⅜	25	AirTch			80	11501	28⅛	27¾	28⅛	+¼
36¾	15⅞	Alaska Air	0.60	0.6	7	1085	21⅜	21¾	31⅜	+⅛
22⅝	17¾	Albany Int	0.40	1.9	14	24	00	21⅞	00	
24⅛	14⅛	Alberl	0.28	1.5	6	358	16⅜	17¾	10⅛	+¾
47½	32½	AlbCulB	0.36	0.8	00	217	43¾	43⅛	43⅜	-¼

NYSE PRICES

4 pm close October 2

NASDAQ NATIONAL MARKET

4 pm close October 2

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
- R -							
Rainbow		12	315	17¼	17	17	
Rallys		1	1879	3 3/16	3	3 3/32	+1/16
Raymond	0.16	10	55	18½	16½	16½	-¼
RCSB Fin	0.60	9	132	26⅞	26⅝	26⅞	+⅛
Read-Rite		16	7189	15¾	15¼	15 7/16	+3/16
Recoton		13	138	14⅞	14½	14¾	-⅛
Repligen	0.06	2	1097	1⅜	1 5/16	1 5/16	
Repub Ind		120	7274	29⅛	28⅜	28⅞	
ResrchMed		17	336	17¼	16⅞	17½	+3/16
Resound		26	2826	9⅛	7⅞	6	+1
Reuters	0.98	27	1958	70½	70⅛	70⅜	+⅛
RoadwExpr	0.20	27	391	15¾	14⅞	15¾	+¾
RbNgnl	0.12	12	70	5	4¾	5	
Roosevelt	0.62	12	2170	17⅛	16⅞	17 1/16	+3/16
Ross Str	0.28	14	3853	36⅛	35⅛	35¾	+⅜
RotechMed		22	1894	17¼	16⅞	17⅛	+⅛
RPM Inc.	0.48	18	651	16½	16¼	16¼	
Ryan Fmly		11	879	7¾	7½	7¾	+¼

AMEX PRICES

4 pm close October 2

US shares advance towards fresh high

AMERICAS

Optimism about the outlook for interest rate policy put US shares ahead of Tuesday's record levels by mid-session, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was 22.36 stronger at 5,927.26, the Standard & Poor's 500 rose 3.74 at 692.82 and the American Stock Exchange composite added 1.91 at 570.46. NYSE volume came to 261m shares.

Strength in the dollar and a report from an Australian newspaper that the chairman of the Federal Reserve, Mr Alan Greenspan, was not worried about inflation boosted optimism that the Fed would refrain from an interest rate increase later this year.

This lifted cyclicals, which had the most to gain from looser monetary policy. The Morgan Stanley index of cyclical shares advanced 0.5 per cent, while the counterpart index of consumer shares was nearly flat.

Interest-rate sensitive banks were also stronger. Citicorp advanced $1¼ at $92⅝ and Chase Manhattan Bank added $⅝ at $81⅛.

Merger news moved the shares of several companies. Toys "R" Us climbed $2⅛ or 7 per cent to $31 on news that it had agreed to buy a rival toy retailer, Baby Superstore, in a deal valued at about $400m. Baby Superstore rose $4½ or 23 per cent to $24⅝.

Foundation Health shares climbed $1⅞ or 5 per cent to $35⅞ after it announced late on Tuesday that it had agreed to merge with Health Systems International in a deal valued at about $2.2bn. Shares in Health Systems fell $⅝ at $28⅝ on the news.

Morgan Stanley, the New York investment bank, rose $⅛ at $51⅝ after reporting third quarter earnings broadly in line with analysts' expectations.

The technology-rich Nasdaq composite regained ground, rising 8.54 at 1,230.05 as several of its best-performing large capitalisation shares posted strong rebounds. The Pacific Stock Exchange technology index added 0.8 per cent.

TORONTO rose strongly in active trading. At noon, the 300 composite index was 40.32 higher at 5,369.87.

All but one of the 14 sub-groups rose, led by gold shares which were running more than 2 per cent ahead at the end of the morning session. The banks sector was up 1.2 per cent.

Among the blue-chips, Alcan rose 75 cents to C$42.00 and Northern Telecom put on C$1.40 to C$78.90. Toronto Dominion Bank gained 60 cents to C$28.40.

Seagram, the spirits leader, fell back after its recent strong run. The stock ended off C$1.80 at C$49.80.

SOUTH AFRICA

Shares in Johannesburg swept higher as investors scrambled to climb back into the market after the recent sell-off.

In heavy turnover, the overall index rose 100.9 to 6,997.1. Industrials gained 70.1 to 8,204.2 but the golds index continued to set the pace, rising more than 3 per cent to 1,761.6, a gain of 54.6.

A good day for the rand and a stronger bullion price set the tone for the session. There was said to be strong demand from both local and foreign institutions.

Frankfurt, Amsterdam hit peaks

EUROPE

Wall Street's latest breakthrough, and strength in the dollar and bonds took a number of bourses to all-time highs.

FRANKFURT woke up from Tuesday's lethargy, the Dax index closing 30.95 higher at a new peak of 2,685.29, with turnover DM2.4bn higher at DM9.3bn ahead of today's holiday.

The day's big winners were a varied bunch: chemicals, the best performers of 1996 so far, continued to catch up with the broad market in p/e terms, led by Bayer which rose DM1.42 or 2.5 per cent to DM49.40; among the 1996 laggards, however, Allianz, the big insurer, rose DM51.15 to DM2,747.65 and Karstadt, the stores group, by DM15 or 2.9 per cent to DM539.50.

Concept stocks were another crowd-puller. SAP, software group and a US investment favourite, saw its prefs up DM10.90 or 4.25 per cent to DM267.50; Fresenius prefs, the best performing stock in Germany's Dax 100 index, stayed in character with a with a leap of DM17, or 6 per cent to DM299 as Fresenius Medical Care, its dialysis unit formed with a WR Grace subsidiary in the US, came to the market at a premium.

Among the under-performers, Continental, the tyre company, fell 67 pfg to DM27.08 after Mr Chris Will, automotive analyst at Lehman Brothers, downgraded his earnings forecasts for 1996 to take account of possible restructuring provisions.

AMSTERDAM moved to an all-time peak, buoyed by special situations and the broad strength of equities across Europe. The AEX index closed 4.98 higher at 581.91.

KPN jumped almost 3 per cent on news of an agreed Fl 2.7bn Australian takeover and ABN Amro, which had put its Dutch merchant banking arm up for sale, also powered forward.

KPN was the day's most actively traded stock. The post and telecoms group bid for TNT, the big Australian transport and logistics group. The shares closed up Fl 1.70 at Fl 60.60.

Some analysts put a price of Fl 2.5bn on Mees-Pierson, ABN's prestigious local merchant bank. ABN gained Fl 2.40 to Fl 96.80 as investors warmed to news of the possible disposal.

Hoogovens continued to gain ground, adding Fl 1.30 to Fl 64 on hopes for improving steel demand in 1997.

Royal Dutch rose Fl 4.40 to Fl 272.30 Brokers said the stock had been given a push by the futures market.

Among other bourses hitting new highs, BRUSSELS closed at a record high for the second day in a row, the Bel-20 index putting on 11.36 at 1,790.52 with Delhaize, the leading retailer, up BFr35 at BFr1,815 on the dollar, and the strong performance of its US food unit, Food Lion.

COPENHAGEN saw its KFX index and 0.70 higher at 124.46, featuring a DKr24 gain to DKr607 in Copenhagen Airports; OSLO added stronger oil prices to foreign equity and interest rate considerations, the recently volatile Norsk Hydro putting on NKr5 at NKr314 as the total index climbed 8.72 to 854.56; DUBLIN's financials were a driving force as the ISEQ overall index rose 18.60 to 2,675.45; and ISTANBUL leapt 3.5 per cent, the composite index gaining 2,515.19 at 73,846.73 on index linked buying.

PARIS swept higher in fairly subdued turnover, buoyed by advances elsewhere in Europe and a firm bond market. The CAC-40 index ended at 2,141.84, up 18.63.

Dealers noted that turnover was modest at FFr2.5bn. "The market is rising but not in a very coherent fashion", said one analyst.

Sanofi was the top performer for the second day running. The shares gained FFr16.20 to FFr452.20 for a two-day gain of almost 7 per cent on upbeat hopes for the group's new hypertension drug, Irbesartan. SBC James Capel reiterated its buy recommendation.

Thomson-CSF put on FFr4.50 to FFr157 on talk that any eventual take out price from Alcatel Alsthom or Lagardere, would be higher than anticipated.

An upbeat analysts' meeting on Generale des Eaux, the big diversified utility, left the shares FFr10 higher at FFr565. The talk among brokers was that Eurotunnel shares, suspended at FFr9.05, could resume trading next Tuesday.

MILAN closed higher after a session in which the currency and bonds markets held centre stage.

Both Italian bonds and lira stormed to new highs on hopes for an early and successful Emu inclusion, and shares were caught up in the general excitement.

At the close, the Comit index was up 1.20 at 152.92 and the real-time Mibtel index was 111 ahead at 10,145.

Olivetti continued to suffer from worries about its financial position. The troubled electronics group retreated L8.1 to L520.3 ahead of analysts' meetings tomorrow and Friday.

STOCKHOLM blamed profit-taking in Ericsson, Autoliv and financials as the Affärsvärlden General index defied the general trend and slid 7.2 to 2,108.3.

Among the big blue chips Astra A rose another SKr2 to SKr288.50 but Ericsson and Volvo Bs both lost SKr2.50, to SKr167.50 and SKr142 respectively. In banks, S-E-Banken shed SKr2 at SKr55.

Autoliv, which rocketed to SKr310 on Monday on the merger with the airbag operations of Morton International of the US, slid SKr to SKr272.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Oct 2 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1741.26	1743.21	1743.62	1743.53	1744.62	1745.18	1745.77	1745.79
FTSE Eurotrack 200	1800.07	1803.57	1800.27	1800.38	1802.30	1802.80	1804.66	1803.57

	Oct 1	Sep 30	Sep 27	Sep 26	Sep 25
FTSE Eurotrack 100	1731.72	1724.66	1723.44	1718.77	1711.38
FTSE Eurotrack 200	1789.94	1780.43	1777.18	1767.89	1760.67

Base value 1000 (26/10/90); High/day: 100 - 1746.02; 200 - 1805.53 Low/day: 100 - 1741.17 200 - 1799.01. † Partial.

Latin America pushes ahead

Latin American bourses moved ahead on a broad front yesterday. At the close of the morning session, Peru was the only market to register a decline. All other bourses mirrored the upturn on Wall Street and in Europe.

MEXICO CITY moved ahead strongly following a cut in local interest rates. Brokers also cited the looming third-quarter results season for the upturn in investor sentiment. At noon, the IPC index was 47.13 higher at 3,333.61.

SAO PAULO had notched up a gain of 410 to 65,628 on the Bovespa index at the close of the morning session. At noon, BUENOS AIRES was up 0.13 at 561.12, helped by good demand for the latest Argentine global bond issue which was raised by a third to $1bn.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Sept 27th 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '95	Local currency terms: September 27th 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '95
Latin America	(249)	534.71	-0.9	+13.4			
Argentina	(31)	850.82	+1.0	+6.2	521,889.34	+1.0	+6.2
Brazil	(68)	372.25	-1.9	+21.9	1,421.26	-1.6	+28.0
Chile	(43)	718.75	+0.7	-4.2	1,185.23	+1.0	-2.8
Colombia[1]	(15)	631.63	+2.3	+5.8	1,144.10	+1.0	+9.0
Mexico	(66)	535.94	-2.3	+15.3	1,742.08	-2.3	+15.7
Peru[2]	(21)	221.89	-0.7	+12.5	340.60	-0.1	+22.6
Venezuela[3]	(5)	613.23	+10.2	+63.4	6,650.48	+9.4	+154.6
Asia	(632)	252.47	-0.1	+8.7			
China[4]	(24)	58.94	+0.2	+8.9	61.76	+0.2	+8.7
South Korea[5]	(145)	97.31	+5.6	-22.7	105.08	+5.8	-18.2
Philippines	(35)	307.70	-1.3	+18.6	390.16	-1.3	+18.6
Taiwan, China[6]	(93)	148.26	+0.4	+31.5	152.97	+0.3	+32.4
India[7]	(76)	84.35	-2.8	+5.0	108.78	-2.9	+8.4
Indonesia[8]	(44)	118.00	+0.8	+7.6	148.62	+0.8	+8.1
Malaysia	(123)	319.74	-0.5	+17.9	296.02	-0.2	+16.5
Pakistan[9]	(25)	217.36	-3.1	-10.4	365.89	-3.1	-2.9
Sri Lanka[10]	(5)	95.77	-0.6	-8.0	118.00	+0.9	-2.4
Thailand	(72)	288.38	-0.3	-23.3	291.08	-0.2	-22.6
Euro/Mid East	(238)	140.50	-0.4	-0.8			
Czech Rep	(5)	72.26	-2.0	+20.4	64.71	-1.2	+21.6
Greece	(47)	260.75	-0.1	+7.9	425.21	-0.0	+9.9
Hungary[11]	(6)	174.96	+0.4	+77.8	325.41	+0.8	+101.1
Jordan	(8)	183.01	+0.6	-0.9	273.43	+0.6	-0.8
Poland[12]	(22)	765.05	+1.1	+84.1	1,365.36	+1.4	+109.2
Portugal	(26)	134.18	-0.6	+15.9	142.84	-0.4	+20.2
South Africa[13]	(63)	228.70	-1.1	-12.1	212.25	-0.4	+9.3
Turkey[14]	(54)	140.93	+3.0	+34.9	6,077.37	+4.1	+103.3
Zimbabwe[15]	(5)	434.51	+2.6	+58.2	661.33	+3.1	+75.4
Composite	(1119)	297.03	-0.4	+7.7			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 30 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

One of the more surprising strands among emerging market trends has been the recent resilience of the smaller Latin American stock markets.

The region as a whole had a strong September, rising 2.5 per cent in dollar adjusted terms to extend its gains since January to 18.5 per cent. All of July's heavy losses were erased last month, and the smaller markets have led the charge.

Argentina, up 9.1 per cent, was the top September performer among the heavyweight bourses. But Argentina lagged behind Peru, which rose by 10.6 per cent, and was a long way behind Venezuela.

Spurred by expectations of an improving economy, high oil prices and what commentators have come to describe as a "privatisation rally", the Venezuela bourse soared by 19.3 per cent in September. This week Bear Stearns upgraded its stance on the country from neutral to overweight on the view that Venezuela has significant further upside to offer.

The so-called "privatisation rally" ahead of next month's flotation of CANTV, the state telecoms group, is expected to continue and, longer term, the US broker has high hopes for economic improvement.

Present direction combined with recent reforms suggests that there could be a significant recovery in 1997. Bear Stearns expects to be contained at 25 per cent next year (from 100 per cent in 1996) and predicts GDP growth of 3 per cent.

The Caracas bourse's IBC index, which has risen for eight consecutive sessions, was up 225.35 at 5,777.99 at noon yesterday.

Takeover speculation boosts Sydney

ASIA PACIFIC

A combination of takeover stories and strong buying of the banking sector took SYDNEY to a five-month peak, the All Ordinaries index closing 29.1 higher at 2,314.6.

The A$2bn agreed bid for TNT, the transport and logistics group, sparked a wave of takeover rumours. TNT ended 79 cents higher at A$2.42 after the A$2.45 a share offer from KPN of the Netherlands. Among rival transport groups, Mayne Nickless gained 16 cents to A$6.57.

But there was also good fundamental demand, notably for the banks. ANZ advanced 15 cents to A$7.49 and National Australia Bank 25 cents to A$13.70.

TOKYO resisted the temptation to follow Wall Street, foreign investors retreating to the sidelines as the Nikkei average rose marginally in thin trading, *writes Gwen Robinson.*

The 225 index closed 35.63 higher at 21,498.60 after trading narrowly between 21,413.26 and 21,509.68, and volume shrank to an estimated 226m shares from Tuesday's 332m.

The Topix index of all first section stocks eased 2.70 to 1,620.21 and the capital weighted Nikkei 300 by 0.60 to 303.37 as declines led advances 566 to 455 with 207 unchanged.

In London, the ISE/Nikkei 50 index rose 1.38 to 1,468.54.

Analysts said that in the absence of any compelling incentives to drive the market in either direction, many participants were watching political moves in the lead-up to the October 20 election for fresh factors, such as economic stimulus measures and further deregulation in financial and industrial sectors.

Domestic institutions bought international blue chips. Sony rose Y50 to Y7,100 and Hitachi Y10 to Y1,090. Selective buying also drove up Sumitomo Seika Chemicals, the most actively traded stock of the day, which gained Y16 to Y848. Major carmakers also gained ground, Honda firming Y40 to Y2,860 and Isuzu Motors Y15 to Y609.

By contrast, pharmaceuticals were hit by reports of the Japanese government's plans to curtail drug prices, possibly by as much as five per cent, early next year.

Construction stocks, including Shimizu, Taisei, and Fudo Construction, also lost ground, reversing robust gains of the previous day. Banks, including Bank of Tokyo-Mitsubishi, Sakura Bank and Sumitomo slipped, as well as major broking houses such as Nomura and Daiwa. In Osaka, the OSE average shed 53.08 to close at 22,195.16 in volume of 21.1m shares.

BANGKOK fell steeply on continued profit-taking. The SET index closed off 26.96 at 1,058.63 for a two-day decline of more than 40 points. Volume remained moderate at Bt6bn. The share market surged by almost 5 per cent on Monday following the weekend announcement of a general election, which is scheduled for November 17.

KARACHI soared amid speculative buying prompted by news of progress in the talks between Pakistani officials and the International Monetary Fund. The 100-share index rose almost 2 per cent. It closed 25.36 higher at 1,410.69.

Dealers said there was a strong rumour that the negotiations with the IMF, for the resumption of a $600m standby loan, were making good progress.

JAKARTA was boosted by Wall Street and by Telkom, up Rp125 to Rp3,825 on speculation, later denied, that Deutsche Telekom might be looking for a stake in the Indonesian company. The JKSE composite index rose 9.10 or 1.6 per cent to 589.31.

COLOMBO ended higher for the eighth consecutive day on Wednesday on bargain hunting by retail investors, but some brokers said they were not optimistic.

The all share index closed 4.4 higher at 589.7, driven by retail investors who had been trying to capitalise on current low prices in the market.

The key index had risen by 4.9 percent in the past two weeks, they added, but, depressed by the 13-year Tamil rebellion, it is still more than 70 per cent down from its late 1993 highs.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Tue Oct 1 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Sep 30 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 52 week High	52 week Low	Year ago (approx)
Australia (76)	207.15	0.0	196.27	145.73	164.32	174.03	-0.1	4.37	207.15	196.48	143.98	164.29	174.13	212.18	179.77	185.82
Austria (24)	178.96	0.0	169.58	125.92	141.96	141.86	0.1	1.96	178.94	169.68	125.98	141.89	141.75	195.04	168.11	180.67
Belgium (27)	217.24	0.2	205.84	152.83	172.32	168.27	0.3	3.96	216.69	205.48	152.56	171.83	167.74	218.69	190.88	195.61
Brazil (28)	181.53	0.0	172.01	127.71	144.00	341.20	-0.0	1.90	181.55	172.15	127.81	143.97	341.20	189.70	123.67	152.53
Canada (117)	[illegible]	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (30)	322.49	0.6	305.57	226.88	255.81	266.84	0.6	1.78	320.69	304.10	225.77	254.30	266.44	322.49	276.89	282.30
Finland (23)	214.22	0.3	202.97	150.70	169.93	205.52	0.4	2.43	213.54	202.50	150.34	169.24	204.70	265.87	171.73	265.87
France (92)	196.80	-0.4	186.47	138.45	156.11	158.81	-0.3	3.05	197.59	187.37	139.11	156.69	159.37	198.39	167.70	172.85
Germany (58)	177.66	0.2	168.34	124.99	140.93	140.93	0.2	1.74	177.28	168.10	124.80	140.57	140.57	179.28	155.69	159.47
Hong Kong (59)	452.74	0.1	428.98	318.51	359.13	449.44	0.1	3.40	452.36	428.97	318.48	358.73	448.13	452.74	354.87	378.42
Indonesia (27)	207.11	1.1	196.24	145.70	164.29	225.53	1.3	1.70	204.81	194.22	144.19	162.41	221.99	[illegible]	[illegible]	[illegible]
Ireland (16)	303.81	0.3	287.98	213.73	240.99	267.04	0.2	3.36	303.00	287.32	213.31	240.27	266.58	303.81	247.27	249.48
Italy (59)	78.79	-1.0	74.66	55.43	62.50	89.50	-1.0	2.32	79.58	75.44	56.01	63.09	90.43	84.53	67.22	76.25
Japan (480)	147.28	-0.2	139.55	103.61	116.83	103.61	-0.3	0.74	147.57	139.94	103.89	117.02	103.89	164.58	137.75	147.18
Malaysia (107)	567.50	0.1	537.71	399.24	450.18	546.95	0.0	1.78	566.58	537.34	398.94	449.35	547.02	585.05	423.77	496.99
Mexico (28)	1255.81	1.3	1189.90	883.47	996.16	10340.35	1.1	1.25	1239.33	1175.21	872.51	982.77	10201.41	1925.65	791.09	1092.12
Netherland (18)	302.89	0.0	287.00	213.09	240.27	255.61	0.0	3.12	302.98	287.29	213.29	240.24	255.53	304.24	261.21	259.42
New Zealand (15)	85.90	1.5	81.77	60.71	68.45	85.51	1.6	4.19	84.94	80.54	59.80	67.35	84.43	87.62	73.94	78.83
Norway (35)	253.57	1.0	240.55	178.60	201.38	224.07	1.0	2.28	251.32	238.31	176.93	199.29	221.78	256.94	222.24	235.85
Philippines (22)	222.73	0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (43)	399.14	-1.3	378.18	280.80	316.61	289.11	-1.2	1.08	404.27	383.38	284.61	320.58	292.23	455.21	381.94	371.40
South Africa (44)	343.46	0.3	325.43	241.63	272.45	340.55	0.3	2.28	342.48	324.76	241.11	271.58	339.48	437.76	314.20	351.67
Spain (37)	181.37	0.1	171.85	127.59	143.87	176.63	0.2	3.82	181.09	171.72	127.49	143.60	176.15	183.51	143.15	151.01
Sweden (48)	381.30	0.8	361.29	268.25	302.46	374.03	0.9	2.29	378.13	358.57	266.21	299.85	370.60	381.30	304.19	320.43
Switzerland (37)	243.83	0.1	231.04	171.54	193.42	189.50	0.1	1.56	243.61	231.00	171.50	193.18	189.29	254.34	215.21	215.21
Thailand (46)	146.85	-0.7	139.01	103.21	116.41	143.67	-0.7	2.39	147.85	140.19	104.10	117.25	144.71	218.33	[illegible]	[illegible]
United Kingdom (212)	251.63	1.0	238.61	177.16	199.72	238.61	0.9	3.94	249.43	236.53	175.61	197.80	236.53	251.63	220.85	224.72
USA (624)	280.89	0.2	266.15	197.61	222.82	280.89	0.2	2.11	280.28	265.75	197.30	222.23	280.25	280.89	236.39	239.12
Americas (797)	256.89	0.3	243.41	180.73	203.78	215.88	0.3	2.11	256.23	242.97	180.39	203.19	215.42	256.89	215.17	218.62
Europe (718)	219.18	0.4	207.68	154.19	173.86	191.09	0.4	2.98	218.39	207.08	153.74	173.17	190.41	219.18	191.44	195.12
Nordic (138)	326.32	0.7	309.24	229.59	258.88	280.68	0.7	2.23	322.92	306.21	227.34	256.07	278.52	325.32	281.13	285.02
Pacific Basin (878)	161.89	-0.2	153.40	113.89	128.42	115.49	-0.2	1.21	162.15	153.78	114.16	128.58	115.74	177.01	145.89	158.25
Euro-Pacific (1594)	185.63	0.1	175.89	130.59	147.25	144.02	0.1	2.08	185.44	175.85	130.56	147.05	143.93	190.57	158.31	173.51
North America (741)	274.17	0.2	259.78	192.88	217.49	273.43	0.2	2.11	273.48	259.33	192.54	216.87	272.74	274.17	230.17	238.27
Europe Ex. UK (506)	198.78	0.0	188.45	139.84	158.09	163.65	0.1	2.43	198.73	188.65	139.88	158.01	163.58	199.78	170.31	174.83
Pacific Ex. Japan (398)	293.88	0.0	278.25	206.59	232.94	253.22	0.0	2.93	293.81	278.41	206.70	232.82	253.28	296.68	243.59	258.26
World Ex. US (1811)	187.23	0.1	177.40	131.72	148.52	148.83	0.1	2.05	186.96	177.30	131.63	148.27	148.67	191.65	157.36	174.50
World Ex. UK (2223)	212.99	0.1	201.81	149.84	168.95	161.85	0.1	1.90	212.79	201.78	149.81	168.74	161.68	213.05	185.81	191.32
World Ex. Japan (1955)	253.80	0.3	240.29	178.41	201.17	239.93	0.3	2.48	252.90	239.82	178.06	200.55	239.28	253.80	217.26	220.40
The World Index (2435)	216.33	0.2	204.99	152.20	171.62	168.60	0.2	2.09	215.87	204.70	152.04	171.26	168.51	216.33	188.87	194.25

Latest prices were unavailable for this edition.

South Africa

The country has created the institutions of freedom and equality. It must now deliver the material achievements which will help to sustain them, writes **Roger Matthews**

Pain of transition begins to show

South Africa's momentous year
● April, Trevor Manuel (far right) becomes the first ANC minister of finance
● May, Mr Mandela, FW de Klerk and Cyril Ramaphosa (top) outside parliament after the adoption of the new constitution
● June, Mangosuthu Buthelezi (right) campaigns during KwaZulu-N... elections
● J...

Perspective is an elusive quality in South Africa. Looked at from three years ego, the country has achieved much more than most people would then have believed possible. Political apartheid ie buried, democracy flourishes, and the economy is growing, albeit modestly. Yet today, some would assert, South Africa is again teetering on the edge of anarchy and recession, or at best a steady decline towards permanent third world status.

Such contradictione abound in the new South Africa. The African National Congress appears to believe it has time on its side, but the country probably does not. The economy should be poised to unleash its potential, but growth is sluggish, and foreign companies reluctant to invest. The nation is headed by e man idolised around the world, hut at times seeming to lack leadership. Among some whites who struggled for liberation, there is a growing sense of disillusion. While among the essentially patient black majority, the first stirrings of frustration are beginning to be felt.

Much can be put down to the inevitable pains of transition. Few challenges in the world were likely to be tougher than moving from centuries of white domination to black majority rule. The government which emerged from the 1994 elections was always going to be driven by the need for greater social justice. Its primary role had to be the promotion of the newly politically empowered and the redrese of gross historical wrongs, objectives with which none, white or black, should disagree.

But it was a task which had to be accomplished in a world where ideological conflict had been transformed by the collapse of communism and the Soviet empire. There was no longer an automatic bonus to be gained by alignment with a euperpower. Instead, the new battlefield on which the ANC is fighting is primarily economic, where the success of emerging economies is measured by their ehility to attract foreign capital.

South Africa, two years ago, was ill-equipped to face the challenge. ANC leaders had heen hrought up to believe in command economies. South Africa'e white entrepreneurs, protected by sanctione and tariffs, enjoyed their own cosy domestic arrangements, and had little desire for foreign competition. Both needed to adapt rapidly, or have change forced upon them.

Above all, the country's leadership had to set a national agenda in which wealth creation was perceived as no less an objective than redistribution.

President Nelson Mandela remains the personification of racial reconciliation, and will remain so even after he steps down from the leadership of the ANC in December next year, and the presidency 16 months later. He is the nation's most valuable human asset, but it is increasingly apparent that a 78-year-old, unversed in international economics and burdened by past loyalties, cannot work through the tough agenda thet South Africa faces. His admired qualities need urgently to be supplemented by those of a younger generation willing to make painful judgments on national and social priorities, ranging from crime to exchange controls.

The 20 per cent fall in the value of the rand against the dollar since mid-February bas amply demonstrated that the abundance of international goodwill South Africa enjoys is not a bankable asset. Neither is the 3 per cent economic growth likely this year sufficient to fund more than a fractinn of the government's social programme. Even more worrying is the danger that higher growth rates will prove more elusive because of the government's failures to identify priorities.

The danger that may be emerging is that while South Africa is rich in the institutions of freedom and equality, it may be unable to deliver the material achievements which make them sustainable. The new constitution, due to be finally adopted at the end of the year, gives the citizen ample protection against the state. But the state is being shown to be increasingly unable to protect citizens against each other.

The worsening crime rate, which puts South Africa at the head of several international league tables, may be explained by government as e legacy of apartheid, massive unemployment, and a police force which relied on confessions for convictions. But while the solutions must inevitably be long term, the emergence of armed vigilante groups provoked into imposing their own violent justice, and tbe failure of government to take forceful action to restrain them, can only exacerbate the problem.

Much the same dilemma exists in the economic arena. The government announced in June its long-term macroeconomic strategy. It contained many of the things the business community wanted to bear, including the goal of a 6 per cent growth rate hy the end of the century, the annual creation of 400,000 jobs, and tougher fiscal discipline aimed at reducing the budget deficit. For an organisation which only five years ago espoused tbe cause of nationalisation, it marked a critical stage in the ANC's political evolution.

But, for now, that is all it is. Economic growth this year is slowing, infletion is heading up again, there is a worsening deficit on the halance of payments partly caused by a drop in capital inflows, and unemployment officially measured at 33 per cent of the workforce continues to rise. The weakness of the rand reflects international scepticism about the government's ability to push through the policies needed to transform the present economic situetion into the one mapped out in June.

There is some justification for the scepticism. The ANC as a liberation movement embraces a range of political views, always seeks consensus, end demands of its members hoth loyalty and unity. While those imperatives remalo there will always be a tendency to advance at the pace of the slowest. The Congress of South African Trade Unions (Cosatu) is an integral and valued component of the ANC, and while its dismissal of the government's economic hlueprint as a "recipe for disaster" is unlikely to presage a collapse of the coelition, it has signalled more time-consuming and delaying political debates.

These debates will coincide with Thabo Mbeki's drive to consolidate his support within the ANC as he prepares to take over the organisations's leedership from Mr Mandela at the end of next year. Althougb his position within the party is well established, the deputy president lacks a naturel constituency and is unlikely to put at risk the ultimate prize of leading the country after the 1999 general election. The cioser tbat date comes tbe greater may be Cosatu's influence. And altbougb the unions may modify their views, they will continue to act as a significant brake on tbe more market-oriented aspirations of individual ministers.

Whether a different, more forceful Mr Mbeki will emerge, before or after he becomes president, generates much speculation. Certainly, hy the next election the government's economic strategy will either be bearing fruit, or recriminations over missed opportunities will intensify from the private sector, as frustrations grow among the wider public.

The biggest concern for the government should be that while South Africa is waiting for the answer, international perceptions about tbe new nation are being formed. Where negative, they may be hard to reverse. The sbarp fall this year in foreign capitel inflows is not just a reminder of the harsb judgment of the global economy, but that international investors are not yet persuaded Soutb Africa is a place where they can make money.

The word "profit", like "privatisation", bas been slow to enter the lexicon of ministers. Neither appears to sit comfortably alongside the goal of social justice. While countries in south-east Asle compete over which has the lowest wage rates, South Africa officially rejects such attractions to foreign capital because of the implled exploitation of labour from which tbe black community suffered for so long.

However, ministers are also rapidiy becoming aware of just how little power they have to improve life for the majority, beyond removing the final formal traces of apartbeid. The government spends 20 per cent of its revenue on just servicing debt, another 70 per cent on salaries and other recurrent expenditure, and is committed to maintaining a tight rein on tbe biggest spending ministries. Despite recent acquisitions by black groups, the private sector remains overwhelmingly in white hands. Therein lies the most bitter-tasting of all pills the ANC is being asked to swallow. It is being forced towards adopting policies which will be perceived by the majority as primarily benefitting the already privileged minority.

The good fortune for the ANC is that it will be re-elected anyway in 1999. And that should add a strong political argument to the already persuasive economic case for taking tougher action sooner rather than later.

IN THIS SURVEY

Production editor: Roy Terry

■ **Interview with Thabo Mbeki, the deputy-president:** by Michael Holman, Roger Matthews, Hugo Dixon and Mark Ashurst

'We're still on course for 6 per cent growth'

Mr Mbeki, who is expected to succeed Nelson Mandela as leader of the ANC in December next year and as president in 1999, talks to the Financial Times

Thabo Mbeki: "There is not one population, but many sectors with very different expectations"

The economic outlook.

Our target of 6 per cent growth by the end of the decade is achievable for a number of reasons. Take for instance the discussions we have had with the private sector on infrastructure investment. The response was unanimously positive to partnerships between the private and public sectors.

The leading financial institutions have also committed themselves and have already set aside funds to put into infrastructure, and that will be an important area of growth for the economy.

The housing programme is also picking up as provincial governments develop their capacity and the private sector is becoming more involved. I can confidently forecast a take-off in the housing sector.

On manufacturing, the minister of finance is working on the final shape of the incentives for investment. The large corporations are generally positive about their investment plans, and foreigners are also showing increased interest, particularly in telecommunications.

Taken overall, there is no reason why we should not reach 6 per cent growth by the end of the century.

The unions' rejection of economic policy as a "recipe for disaster".

We told the unions to come back to us with proposals that they would not consider to be disastrous. But they have not done so. One element of policy we are working on is to reduce the budget deficit next year to 4 per cent of gross domestic product.

We are quite willing to look at anything which might constitute an improvement. But the unions understand very clearly that they do not have the power of veto over the government, and we are not about to abdicate our responsibilities.

Privatisation.

From the beginning we have spoken about the restructuring of state assets, and have insisted that this is not a code word for privatisation. As a result of restructuring there will be some wholesale privatisation of certain entities, there will be strategic equity partners for others, and in some cases it will mean changes in management and articles of association. So, restructuring means a variety of things. At the same time it would be foolish and quite impractical to say we should move at the same time and same pace across the board. So it was decided to lead with the telecommunications sector.

It was also necessary to bring in some professional advice. We had set up various task teams, made up of government officials, but this was just one of perhaps 10 tasks they had to perform in e normal day, and it slowed the process down.

We decided to appoint the Hongkong and Shanghai Banking Corporation as overall adviser to look at the entirety of state assets. They are going to find they have a very big and difficult task. When they can put a valuation on the different entities it will be possible to say which we should deal with first. Also, in the case of transport, decisions will have to be taken within the overall framework of policy. We shall move within the context of that overall policy, the parliamentary process, and our engagement with the trade unions.

We are looking for a situation with the unions where there is no conflict over restructuring state assets. It is not sensible to generate a strike if you can avoid it.

Black empowerment.

It will take many different forms. There are the private sector initiatives which have been seen recently. There is the government's contribution, for example, through the tendering system which requires bidders to get into partnership with black people. This will apply to the strategic equity partner for Telkom. The government has also set up the institutions for helping to finance small- and medium-sized enterprises. It is important both to generate new wealth as well as to transfer existing assets.

That is a particular challenge those groups face. They cannot just stop and wait for the dividends. They have to decide what to do with those assets in order to generate more wealth.

The role of the big conglomerates.

From the government side we are engaging them in detailed discussions, not on the macroeconomic framework, but from their own perspective about what they intend to do. We want to be practical. The minister of trade and industry is looking at which industrial sectors should play a leading role, and what incentives are required.

It would make no sense if at the end of that process we found that the principal investors were pointing in a totally different direction.

It has been a very healthy discussion because we want the private sector engaged in the process of wealth and job creation that will give us 6 per cent annual growth.

The fight against crime.

If one does not understand what happened in the past, it is impossible to explain crime today. Before 1994 the capacity for crime intelligence was poor, because so much effort went into the defence of apartheid.

And a lot of corruption had seeped into the police. When we came into power we bad few instruments to fight crime. Take car hijacking. What happened was that a hijacked car would be taken to a police pound. An alert would be put out, but meanwhile the car chassis and engine numbers were being changed, together with the number plates.

The expectations of tbe people.

There is not one population, but many different sectors with very different expectations. It varies greatly from place to place. If you look at the really poor that is where you find the greatest degree of patience.

In communities where children can now go to school, get a meal, and where a wife can receive hospital treatment, this all makes a substantial difference. And even if a community has not yet received water or electricity they can see that it is happening at a village not far away.

■ **Regions:** by Mark Suzman

Tensions in the provinces

Several of the premiers want extra powers to consolidate their political bases

Few issues have proved more contentious in the fledgling South African democracy than defining the rights and responsibilities of the country's nine new provinces.

Although the ruling African National Congress (ANC) essentially ignored opposition demands for greater provincial powers when negotiating the country's new constitution, the issue was dramatically re-opened last month when the Constitutional Court demanded the relevant portions be re-drafted.

At the root of the debate is the tension between the ANC's long-standing predilection for greater central powers to right the wrongs of apartheid and the desire of the National Party and Inkatha Freedom Party (IFP) – which control the provincial governments in the Western Cape and KwaZulu Natal respectively – to maximise their regional autonomy.

But the issue has become more complicated as several of the premiers in the ANC-controlled provinces have also been pushing for more powers as they seek to consolidate their own political bases within the party. And underlying this debate is the wide disparity in wealth and income between the provinces, which is exacerbated by growing regional identities in party and government structures.

"There is a lot of tension between provinces and the central government and between each other on both political and fiscal issues", admits Colin Donion, deputy head of research at the Fiscal and Finance Commission, the independent government body charged with recommending an appropriate fiscal division between provinces and central government.

Nevertheless, the court's conclusion that the new constitution is not in accord with the principle, entrenched in the 1993 interim constitution, that the powers of provincial government could not be diminished in the next text came as a surprise to most observers. In particular, the court criticised the new overrides which the central government would have over the authority of provincial decisions.

At the same time, however, the court dismissed a proposed provincial constitution put forward by the IFP for allocating too many powers to the regional government. The final result – expected to be redrafted by the beginning of next year – will probably allow for the status quo to be left relatively unchanged.

In next year's budget, most provincial allocations will, for the first time, be in the form of block grants. This will allow individual provinces substantial discretion in experimenting with different ways of enhancing education, health and other public services. However, from 1998-9 that will probably change again as the government makes certain portions of the grant conditional on provinces meeting minimum norms and standards in areas such as health and education.

For many analysts the debate on fiscal powers begs the most important question about the new provinces: the extent to which the regional administrations are capable of spending ths money.

Provinces have had to set up new bureaucracies from the remnants of old white provincial adminstrations with those from black homelands, and the process has not been easy. Some 33 per cent of senior provincial posts remain unfilled, while a cost-cutting drive to encourage many older civil servants to take early retirement has met with only limited success.

This problem is most pronounced in the poorest provinces, such as Northern Province and the Eastern Cape, which have struggled to recruit capable officials. It has also been seriously exacerbated in some ANC-led regions, most notably the Free State, by burgeoning political tension between provincial party structures and the national executive.

The net result of all these conflicting pressures is that the new provinces have only recently been able to turn their attention to the critical task of policy implementation. "The whole process [of restructuring] has taken much longer than we expected and it will take another year or two before it is complete," admits Vincent Mntambo, director-general of Gauteng.

■ **The economy:** by Roger Matthews

Forward with precision

Determination and speed of implementation will provide a big test of policy

Few national economic growth strategies have been more precisely mapped than that of South Africa. After a flurry of sharply contradictory advice from trade unions and big business, the government in June unveiled a detailed macro-economic plan charting precisely its targets and expectations.

Chris Stals: blunt warning on macroeconomic environment

The aims for the year 2000 are 6 per cent sustainable annual growth, a reduction in the budget deficit to 3 per cent of gross domestic product, the creation of 400,000 new jobs, a 13 per cent rise in exports, a quadrupling of foreign fixed investment, and an inflation rate of 7.6 per cent.

Each step along the way is also marked, with goals set for every intermediate year. As a hostage to political fortune it can have few rivals, but as a statement of official intent it marks another important milestone in the evolution of the ANC's economic thinking. Trevor Manuel, minister of finance, stressed that he would not be moved on the main pillars of the policy, but would debate the details.

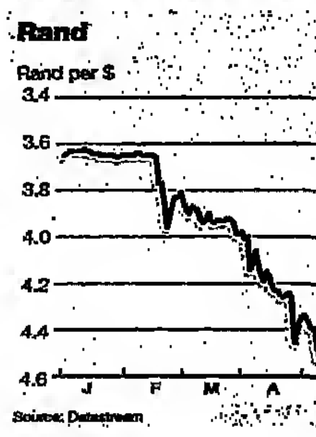
The test for the government is, of course, the speed and determination of implementation. Chris Stals, governor of the Reserve Bank, believes the targets are attainable, but in a blunt annual address to shareholders at the end of August warned that the current macroeconomic environment in South Africa was both complex and uncertain.

An important part of that uncertainty has been created by a decline this year in foreign investor confidence, which has not been reversed by the unveiling of the macroeconomic plan. The rand has shed over 20 per cent of its value against the dollar since mid-February and remains weak.

The relative strength of the currency last year was due mainly to buoyant foreign capital inflows which reached nearly R22bn, split almost equally at R11bn in each half. But in the first six months of this year they were less than R3bn.

The current account deficit of R12.7bn in 1995, widened to an annualised rate of R13.4bn in the first half of this year, equivalent to 2.5 per cent of GDP. The resulting deficit in the overall balance of payments and shortage of foreign exchange in turn increased pressure on interest rates as liquidity was drained from the domestic money and capital markets.

Instead of the interest rate cuts that had been expected this year, following the four increases in bank rate since September 1994, Mr Stals has been battling to avoid a further rise. "A rise in interest rates at this stage is widely regarded as unacceptable because of its adverse affect on domestic spending", he said. "This limited view, however, disregards the even more disastrous consequences for the economy of not correcting a non-sustainable deficit in the overall balance of payments".



Source: Datastream

The government hopes this will in part be achieved by a slowing in import growth as a result of the devaluation of the rand, and an improvement in export prices. But in the absence of a more positive trend in capital inflows, there appears little prospect of rebuilding gold and foreign currency reserves, which have fallen this year by over R6bn to little more than R10bn, equivalent to less than four weeks' import cover.

This, in turn, has important implications for the government's plan to continue its gradual removal of remaining foreign exchange controls. Mr Manuel and Mr Stals continue to turn a deaf ear to the clamour from some business sectors for a "big bang", and admit that further steps have been delayed by the loss of reserves. Mr Stals added that the timing would depend on the "successful implementation of the overall programme of economic restructuring".

He is also showing renewed concern about inflationary pressures. Although inflation has remained below 10 per cent for the last three years, it is beginning to nudge up. In August it was running at a annual rate of 7.5 per cent, compared with 5.5 per cent in April, and has probably still to feel the full impact of the rand's fall.

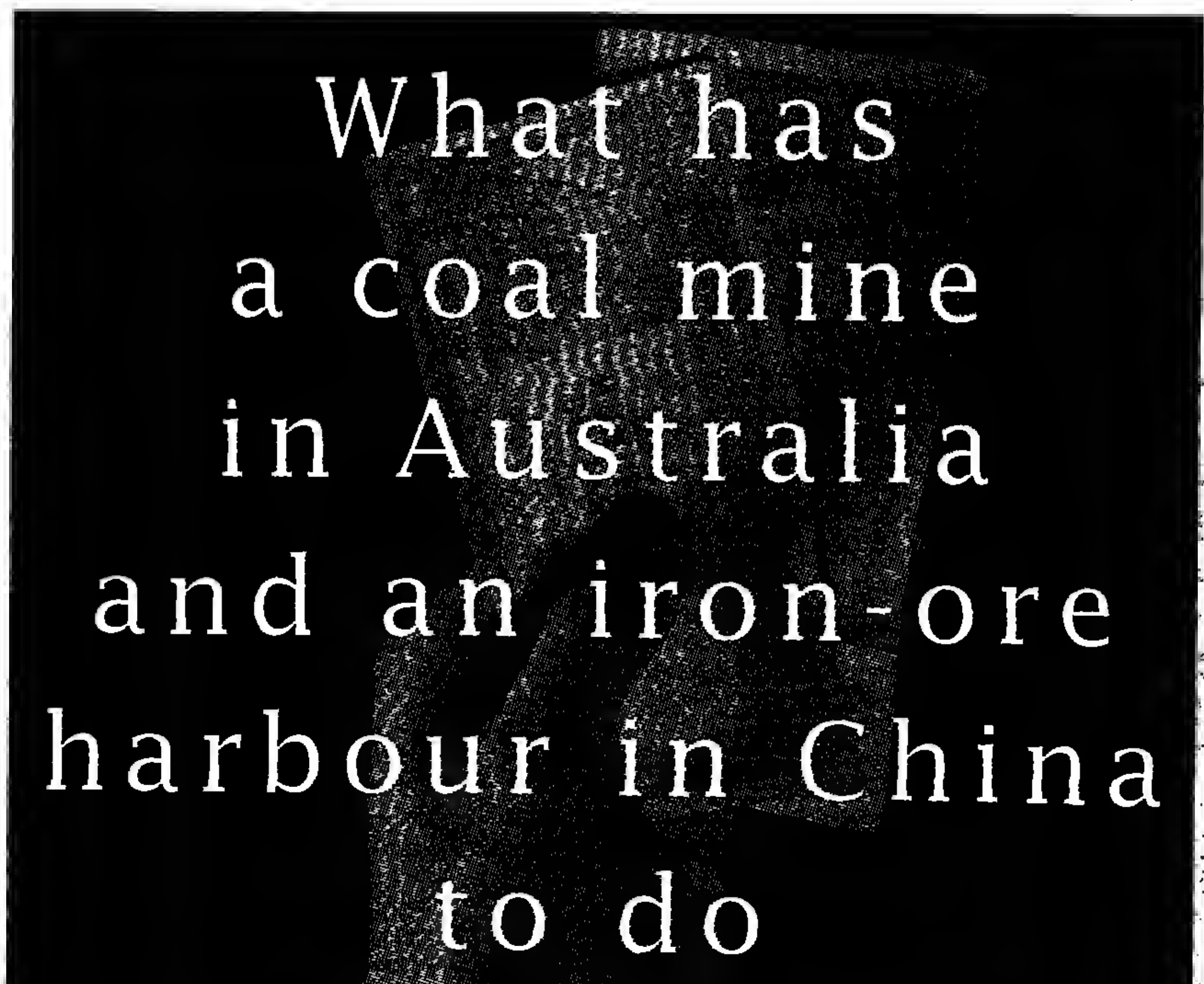
All of which points to continued tight monetary policy and a further slowing in the overall rate of economic growth. The government has progressively reduced its growth forecasts for this year to 3 per cent, and is forecasting a little over 2 per cent for 1997. Only after that does the government expect its policies to produce steadily rising growth rates.

The two important tests for those policies will be the budget in March – when Mr Manuel has pledged to introduce measures that will reduce the deficit from the current financial year target of 5.1 per cent of GDP, to 4 per cent – and the pace of the limited privatisation programme. Both are key indicators of the government's commitment, not least because they face considerable resistance from the trade union movement. If, as feared, revenue collection falls below forecast, Mr Manuel may not be able to avoid increasing value added tax, which the unions successfully opposed earlier this year.

Pay settlements so far this year have averaged just under 10 per cent, according to labour consultants Andrew Levy and Associates, which reflects a modest reduction in union demands. However, a further rise in the inflation rate, spurred by higher VAT rates, could rapidly lead to increased militancy.

Such political factors will weigh heavily on the immediate task for the government and Reserve Bank which is to restore stability to the rand. As Mr Stals warned recently, a further decline in the rand's value can but increase the upward pressure on both interest rates and inflation.

The grand strategy is in place, but what seems most likely to determine the immediate direction of the rand is government action. Telling the markets to wait for the budget in March, as ministers have recently been doing, is unlikely to produce the desired result.



■ **Black business:** by Mark Ashurst

Pace of change frustrates

The media sector may provide a model for transfer of white-owned assets

It has been a record year for black economic empowerment – almost 1 per cent of the markat value of the Johannesburg Stock Exchange (JSE) is now controlled by black investors.

The biggest transfer of white-owned assets to black buyers was concluded in August when Anglo American Corporation unbundled a 35 per cent stake in Johnnies Industrial Corporation, an industrial holdings group valued at R8bn on the JSE. Analysts expect a follow-up deal – the transfer of Anglo's controlling stake in JCI Ltd, the mining house – to be finalised next year.

Black business has consolidated its foothold in tha financial sector: Legae Securities, the first black-controlled stockbroker opened for business last month; there are two black-owned merchant banks, Citizen Bank and D.L.J.Pleiade; the two leading insurers in the black market, Metropolitan Life and African Life, now form the hubs of two mushrooming conglomerates, Dr Nthato Motlana's New Africa Investments and Don Ncube's Real Africa; and trade unions are for the first time managing investments from their own pension funds. The list goes on.

For all that, there is a palpable sense of frustration among many in the African National Congress. "One of the weaknesses of black empowermant at the moment is that we are not opening up sufficient opportunities for people at grassroots level", says Jay Naidoo, the minister of telecommunications and broadcasting. "We've reached the point where we need to think of a quantum leap."

The media sector may provide a model. The Johnnic deal has given its new owners control of Times Media, a newspaper publishing subsidiary. The state-owned Sonth African Broadcasting Corporation has unbundled its six provincial radio stations to consortiums of aspirant black broadcasters. Kagiso, formerly a contract catering business with minor publishing interests, has been bought by Perskor, a newspaper group valued at R1.4bn, in the first step of a probable reverse takeover.

The story continues next year when new commercial radio stations take to the air and the Independent Broadcasting Authority, the first independent broadcast regulator, issues a new television licence. Lyndall Shnpe Mafole, a member of the authority, says the IBA is a catalyst: "People are thinking that unless we get in now it may be too late", she says. The sector also appeals to black entrepreneurs: "The need to bear more black voices and to get a black perspective is a strategic thing. People get to see that something is happening."

In less regulated industries, government patronage is now the most conspicuous mechanism for black empowerment. The revised state tendering system includes affirmative action criteria – multi-racial letterhaads of the "Fisher Hoffman Sithole" variety are becoming more common among legal and accounting firms seeking work from government departments and parastatals.

The trend extends to industry, where international franchises are increasingly available to black businessmen. The best example is Pepsi, whose international company has launched a joint venture with black American celebrities and tho pension funds of local trade unions. "For all consumer products, a black partner is tba key into the market", says Alec Erwin, minister of trade and industry.

There is scant evidence, however, that a black-controlled company is any different from a white one at operating leval. Nick Segal, executive director of JCI Ltd, believes the mining sector will provide a concrete test of the benefits of black ownership: "There is huge scope for smarter ways of working". He expects Cyril Ramaphosa, secretary-general of the African National Congress, to be JCI's next chairman. "Cyril can talk hard sense – we need less management by white men".

Mr Ramapbosa's will quit politics later this year to concentrate on his joh as deputy chairman of New Africa Investments. A former leader of the National Union of Mineworkers, he argues that new owners can enhance productivity in a sector where better labour relations are widely seen as the key to profitability at marginal gold mines.

There may be other commercial advantages. Faced with the mounting costs of ultra-deep level mining in South Africa, local groups are turning their attention to joint ventures in mainland Africa. "JCI welcome black ownership not so much to be politically correct, but for their own survival," says Mr Ramapbosa.

He predicts that within 15 years about 40 per cent of the JSE will be in black hands.

True to Mr Ramaphosa's style, this is a hugely ambitious target – manufacturing output is at a virtual standstill, and black business is hamstrung hy a shortage of skilled managers. "With legalised apartheid we took 40 years out of the system," notes Marinus Daling, chairman of Sanlam, the insurance giant founded as a mechanism for Afrikauer economic empowerment in 1918. "We are in a pressure cooker situation."

■ **Transport:** by Mark Ashurst

Moving with the times

The largest public corporation is preparing for unbundling and privatisation

The new managing director of Transnet, the state-owned transport company, has a simple message for his 113,000 staff: "Adapt or die."

The exhortation from Saki Macozoma is splashed in bold print across the latest edition of the house magazine. As South Africa's largest public corporation with assets worth mora than R40bn, Transnet will be the first to experience unbundling, privatisation, and joint ventures with international companies. Unlike other parastatals, Transnet is a diversified conglumerate spanning passenger and freight road, rail and air transport, fuel pipelines and harbours.

Last month SBC Warburg, the merchant bank, was hired to calculata a book value for South African Airways, one of 260 quasi-autonomous business units in the Transnet stable.

Mac Maharaj, minister of transport, says some degree of privatisation is a priority: "This is a valuable asset in a period of global alliances in the airline industry. If we miss out, it will be finished."

Portnet, the ports operator, will play a critical role in developing new harbours at Port Elizabeth and the Mozambican harbour capital of Maputo – both are critical to the concept of development corridors at the heart of the government's industrial policy.

But Transnet's ability to forge closer ties with partners in the private sector is jaopardisad hy its pension fund deficit. Its pension obligations are only 89 per cent funded, and the deficit has been reduced hy an R8.8hn bond issue which absorbed R1.4bn in coupon payments last year.

These charges, and the outstanding deficit of R2.4bn, will have to be allocated hetween Transnet's different businesses before unbundling can begin.

The principle of closer public and private sector co-operation has oermeated every aspect of transport policy.

Mr Maharaj has instructed provincial governments to manage parastatal bus companies established by former homelands on a commercial basis. They should be run "as if they were privatised", says Mr Maharaj. Public money for building new roads will target "social roads" in areas where private construction companies will not make a return. Private capital will be used to double the existing 7,000km network of trunk roads.

■ **Trade:** by Mark Suzman

Export future is in Africa

The value of sales to the rest of the continent is expected to exceed R14bn this year

It has hecome routine for economists and politicians in the new South Africa to declare that the country's long-term future will rest on the economic success or failure of the rest of the continent. In the realm of trade, however, the future has already arrived.

In the five years after the unbanning of tbe African National Congress in 1990 exports to suh-Saharan Africa have risen hy between 30-50 per cent a year, albeit from a low base. And although that is now starting to slow slightly – preliminary figures for the first half of 1996 show growth of 25 per cent on the same period last year – the value of those sales has already risen to a substantial R6.7bn, with the full year total expected to exceed R14hn.

That may still be dwarfed by exports to other areas, particularly Europe which accounted for a third ofR100hn in total exports last year, but it is critical for South Africa for two reasons.

First, it is the primary destination for the country's small but growing manufacturing export base. The government is explicitly targeting manufacturing for export growth to compensate for the long-term decline in some primary products, particularly gold exports.

Second, and just as important, Africa is the only glohal region with which South Africa now runs a substantial trade surplus, worth R5hn in the first half of 1996 alone. "The simple fact is that without Africa, South Africa would soon slip into deficit," says Liz Whitebouse, general manager for research at the South African Foreign Trade Organisation.

Meanwhile, as the traditionally overprotected domestic market starts to open up to competition from imports, there are signs that increased efficiencies are allowing manufacturing exports to other parts of the glohe to start growing as well.

Even in previously uncompetitive areas such as the motor industry, some South African companies have now begun small-scale exports of spare parts, and the trend is spreading.

According to Richard Bruyns, managing director of Kohler, a plastics and packaging company wbicb has huilt up successful markets in Latin America and Europe, many South African businesses are now ready to take on international competition.

"In tbe past few years we've been forced to become mucb more focused on the outside world and there is no question that has improved our competitiveness," he says. "The fact is the local markat just isn't big enough any more and we have to increase exports to grow."

But despite such individual successes, many analysts worry that the overall picture remains one of underperformance, particularly given the 25 per cent depreciation suffered hy the rand since February. "There's no question we expected a sharper rise in exports than bas taken place so far," admits Ms Whitehouse, pointing to only 17.5 per cent nominal growth for the year to July 1996.

The picture is also complicated by changes in the international trading environment and domestic industrial policy.

On thc first front, negotiations with tbe European Union for a proposed free trade treaty have proven much more contentious and prolonged than initially expected. Under pressure from Italy, Spain and France, the EU's initial offer excluded many goods, in particular value-added agricultural products, South Africa had hoped would he part of the agreement.

In consequence, says Roh Davies, an ANC MP involved in trade issues, South Africa will produce an alternative mandate this month forcing a return to the negotiating tahle. "We have now learnt that statements of solidarity and support and a professed desire to help South Africa's reconstruction and development are not directly related to generosity in trade talks."

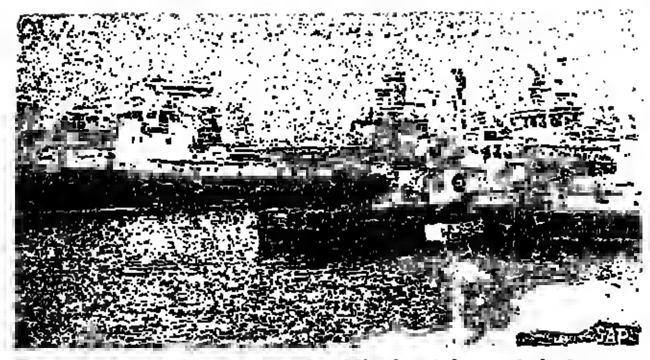
And althougb South Africa was able to resolve a long-running dispute with Zimhahwe hy signing a new trade agreement this year, the foot-dragging on the EU front is causing delays for other regional trade initiatives. Most important, it has forced the postponement of the planned restructuring of the Southern African Customs Uniou South Africa shares with Lesotho, Swaziland, Botswana and Namibia. As several other memhers rely heavily on their share of customs income for their national budgets, any significant cuts to import duties for European goods would have a knock-on effect on their economies, and would have to he factored hito a new agreement.

And it is only once a revised SACU is in place that the 11 members of the Southern African Development Conference (the five customs union memhers plus Zimhabwe, Mozambique, Zambia, Angola, Malawi and Tanzania) will be able to press ahead in earnest with their stated aim, affirmed in August, of making the entire region a free trade area over the next eight years.

As government officials freely admit that will also require some readjustment in the trade balance. "There is a massive trade imbalance in our favour (which) is not conducive to the region's development," says Alec Erwin, minister for trade and industry. "So we are now looking at other mechanisms, and particularly sectors, especially agriculture, and tryiug to find joint ventures to help change that."

Meanwhile, next year will also see the final phasing out of the General Export Incentive Scheme (GEIS) that fell foul of the 1994 Gatt agreement. However, the cushion provided by the fall in the rand means that the programme's demise will have a less severe impact on exports than initially feared.

And although no alternative industrial policy has yet been adopted, for many analysts the hard decision to start reducing tariffs and expose Soutb African industry to more competition has already set the trade picture ou the right track.



Europe accounted for a third of R100bn in total exports last year

■ **Conglomerates:** by Hugo Dixon

Tangled webs of shareholdings are being unwound

Barriers to trade and capital are falling and new ideas are starting to take root

South Africa's conglomerates are coming out of the laager. Gradually the tangled webs of cross-shareholdings that have given a handful of families and insurance companies control over large chunks of the economy are being unwound. Words such as unbundling, focus and shareholder value are entering the vocabulary.

The traditional conglomerate structure owed much to the isolation of apartheid. Exchange controls trapped capital at home, meaning the big groups had little choice but to diversify into a broader range of businesses. With trade barriers protecting companies from foreign competition, inefficiencies were not exposed.

Meanwhile, there was scant pressure to boost shareholder value by unravelling cross-shareholdings and pyramid structures: international investors shunned the country, while the big mutual life insurers like Old Mutual and Sanlam were part of the same charmed circle as the conglomerates such as Anglo American, Anglo Vaal and Rembrandt.

Exchange controls still largely remain. But tariffs have been cut and international capital markets are open to South African groups. Moreover, it is not simply the barriers to trade and capital that are falling; South Africa is opening up to new ideas about how business should be run. Marinus Daling, chairman of Sanlam, talks about "the excitement of adding value and focus".

The pace of change is not uniform. Sanlam and Anglo Vaal are making bigger strides than Anglo American and Old Mutual. But, throughout industry, there is an unmistakeable trend towards more focused businesses. Sanlam, which became during the apartheid era the main vehicle for extending Afrikaner control of the economy, has seen the biggest changes. It has broken up two conglomerates in its sphere of influence: Tradegro, a retail group, and Gencor, a mining to paper group. It is now doing the same to Malbak, a consumer industries conglomerate.

"The emphasis was on size and control: if that's what you are doing, you're not going to be very successful," says Mr Daling. One reason for unbundling its conglomerates is that investors prefer "pure plays" and so are often prepared to value broken up groups more highly than conglomerates.

But Mr Daling stresses that removing this discount is a "one-off affair". The bigger recurring benefit comes from "focusing management on an area of expertise".

Even after unbundling, Sanlam is left with large minority stakes in many of the companies it previously controlled. The next stage of its strategy is therefore to cut its stakes to levels more normal for an insurance company. One way of doing this is to sell shares in companies it controls to foreign groups in the same business – something it did recently when it brought Petronas of Malaysia into Engen, South Africa's largest oil retailer.

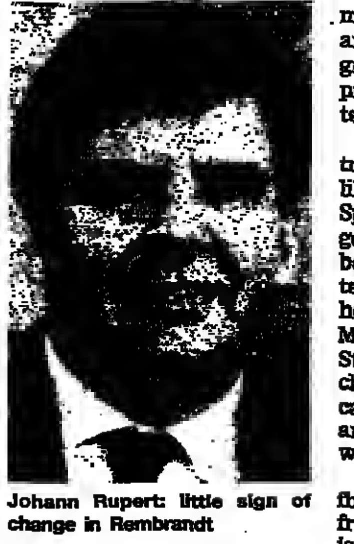
Sanlam is effectively putting most of its investments up for sale. But Mr Daling also says the group is unlikely to back hostile bids: "Our philosophy is that we work with managements of companies without being taken hostage." Once this process is over, Sanlam aims to become a financial services group with operations in life insurance, banking, general insurance and venture capital. The next move may then be to "demutualise": seeking a stock market listing would give Sanlam access to more capital and so accelerate its international ambitions.

The changes under way at Anglo Vaal illustrate another theme: the erosion of the traditional South African mining house. Often mining houses own minority stakes in a series of quoted mines and extract more value through fat management contracts. Such structures can be unpopular with the other investors in mines, who worry that their interests come second.

Anglo Vaal is attempting to address this concern by consolidating all the mines it controls into two mining groups, each of which will manage its own assets. It is further attempting to woo investors by separating its gold interests from its other mining operations, with the aim of giving shareholders a pure play in gold.

The reasoning behind these changes is not hard to find. Anglo Vaal needs to decide in 1998 whether to invest R2.5bn on sinking a new gold shaft in the Orange Free State; it faces a further R2bn investment decision the following year. The group thinks that by meeting investors' needs it can double its market value.

Even if that target proves over-ambitious, a higher share price would lower the cost of raising new capital. It would also put Anglo Vaal in a better position for future strategic moves. One option in several years, according to an executive, would be to merge its gold mines with another international gold group. With a higher share price, it would achieve a better deal.



Johann Rupert: little sign of change in Rembrandt

Anglo American, by contrast, is moving slowly. "We like diversity," says Michael Spicer, a director. "A demerger is not something we've been pressed to do; we've tested it with major shareholders." According to Jacko Maree, managing director of Standard Corporate and Merchant Bank: "Anglo American is a special case. They are so powerful, they do what they want".

Although Anglo's size and financial strength protects it from commercial pressure, it is not standing still. One reason is that some of its investments, as Mr Spicer admits, "have not been great returns". This year, Anglo started to review the performance of its operations. One executive sees this as a prelude to restructuring the group into core and non-core businesses.

A further pressure that even Anglo feels is the margins squeeze in its mining operations. The result is that the group is no longer generating cash at a prodigious rate. Executives are therefore eyeing piles of cash lying in Anglo's subsidiaries. But if the parent is to gain control of that cash, some of the pyramid structures may need to be collapsed.

The debate within Anglo is unresolved. One executive says there is a generational divide, with younger executives pushing for change and older colleagues preferring the present structure. He says the group is "on the cusp" of big changes.

Whether or not that proves to be the case, all the conglomerates agree that the abolition of exchange controls would accelerate the unbundling of the country's industry. Bankers believe that foreigners are at present reluctant to buy South African assets because they fear the rand will fall if exchange controls go, so reducing the value of their investments. Equally, the conglomerates do not want to sell assets because they could not invest the proceeds in building up a core business internationally.

Mr Spicer calls exchange control the "golden key" that could unlock the present structure of South African industry. Johann Rupert, chairman of Rembrandt, predicts that their abolition will put many assets into play: "Things that might seem holy cows today, won't be".

Still, a complete transformation of the structure of industry will not occur even if exchange controls go. The pyramid system, in particular, looks like remaining as the main mechanism for retaining family control. While Sanlam has removed the pyramids in its group, it is a mutual rather than family-controlled.

Elsewhere, there is little sign of change. Rembrandt flatly refuses to contemplate their removal. "Everybody who bought into our company knew they were buying into a family-controlled company," says Mr Rupert. Similarly, even after Anglo Vaal's restructuring, a pyramid structure will remain – the main shareholder in its gold company will be its other mineral company, which in turn will be majority-owned by the parent.

And even if Anglo American collapses some pyramids, the complex cross-shareholding structure with the De Beers diamond group that gives the Oppenheimer family ultimate control, are unlikely to go. One banker calls that arrangement "sacrosanct".

BALANCE OF PAYMENT EQUILIBRIUM MUST BE RESTORED WITH MINIMUM DISRUPTION

Dr Chris Stals, Governor of the South African Reserve Bank, talks to John Spira, Business Editor of a leading Johannesburg newspaper.

Spira: What has been the most important change in the South African macroeconomic scene over the past 12 months?

Stals: The substantial decline, since February 1996, in the total net capital inflow from abroad. This sudden deceleration changed the overall balance of payments position, the foreign exchange market, the domestic financial situation, the local business mood and foreign investors' assessment of South Africa as an emerging market economy where sound high-yielding investments could be made.

The smaller net *capital inflow* from February 1996 onwards led to an over reaction in the foreign exchange market and triggered a downward adjustment in the exchange rate of the rand which continued with intermittent pauses during the subsequent six months. In the six *months to the middle of August of this* year, the average weighted value of the rand against a basket of currencies of South Africa's major trading partners depreciated by 20 percent.

At this juncture, it continues to need cool headedness from both policymakers and currency traders to restore stability to the foreign exchange market.

Spira: Has the picture also altered significantly on the domestic economic activity front?

Stals: Although the rate of overall real economic expansion has been retained at last year's level of about 3.5 percent, the primary sectors of production, and particularly agriculture and non-gold mining, have since replaced manufacturing and the services sectors as the prime movers of the economy.

The growth in overall expenditure, however, continues to outpace growth in total production with the result that large imports of goods and services are required to maintain equilibrium between overall demand and supply. The current account of the balance of payments therefore remains in deficit and, in the light of the decline in the net capital inflow, it has now become a matter of concern from a macroeconomic point of view.

Spira: Government and household debt has been rising rapidly. What is the Reserve Bank's strategy in this regard?

Stals: The maintenance of the expansion in domestic demand continues to depend heavily on the extension of more bank credit which not only contributes to an unacceptably high rate of increase in the money supply, but also leads the country towards an untenable debt position where an unduly high share of the current income of both government and households will be claimed for debt *servicing*.

This dangerous prospect holds a serious warning for the banking sector to apply greater caution in their lending operations. It also dictates the need to continue with a restrictive overall monetary policy.

Despite growing pressure from different sources for the relaxation of monetary policy, the Reserve Bank, in the interests of medium-term financial stability and longer term sustainable economic growth and development, must persist on its current course of responsible monetary restraint.

Spira: Has the Reserve Bank made significant efforts to slow the rand's depreciation?

Stals: It was fortunate that the depreciation of the rand occurred at a time when the Reserve Bank had no foreign liabilities outstanding, while it has also succeeded in reducing its net oversold foreign exchange position from more than $20 billion at one stage to only $8.1 billion at the end of February 1996.

Thus, the net losses reflected in the forward foreign exchange position of the Bank were restricted to a smaller amount than would have been the case with a similar depreciation at any other stage during the past three years. This net oversold position has, however, increased again to over $15 billion as the Bank intervened in the forward foreign exchange market at the sliding exchange rate, mainly to enable importers to cover *future commitments and to make* use of available foreign financing facilities.

It is true that an increase in the net oversold forward foreign exchange position of the Reserve Bank inevitably increases the risk of possible losses from future exchange rate changes. Such losses will eventually become recoverable from taxpayers. This risk must, however, be measured against the costs to the taxpayers in general of a further fall in the exchange rate with accompanying higher interest and inflation rates.

There is no costless way to adjust the economy downwards in a situation where the inflow of capital from abroad has fallen so abruptly as was the case in South Africa earlier this year.

Spira: How do you explain the paradox of the strong growth in monetary expansion on the one hand and historically low inflation rates on the other?

Stals: Inflation has declined dramatically in the past few years and has been below 10 percent for three years in succession. There are, of course, extended time lags between changes in monetary policy and in the money supply, and also between changes in the money supply and in prices. An economy can often be inflation prone in terms of expectations long before the disease actually manifests itself. Monetary authorities must therefore always be on their guard, even in times when low inflation is experienced.

There are also certain other factors at work in the economy which recently assisted monetary policy in bringing down inflation. These include the determined policy of government to reduce tariffs and to abolish the surcharge on imported goods; the introduction of more foreign competition into South Africa's markets; the lower level of *inflation* in the case of *South Africa's* major international suppliers of goods and services; and the decline in the real domestic labour costs per unit of production experienced last year.

The excessive rate of increase in bank credit extended to the private sector nevertheless remains a matter of concern, not only because of its effect on the money supply, but also because of the rising levels of indebtedness of private households.

Spira: How do you justify a situation in which South Africa's real interest rates are among the highest in the world?

Stals: For good reason, interest rates in South Africa remain high. The level of interest rates cannot be dictated by the needs of borrowers alone, just as they cannot be fixed *solely by the demands* of lenders.

In the final analysis, interest rates must be determined by the underlying demand for and supply of loanable funds. The huge demand for funds emanating from general government, the business sector and private households, must be matched with the limited amount of domestic saving plus an amount of medium and longer term foreign investment funds that can reasonably be expected to flow into the country.

This simplified macroeconomic truism confirms that South Africa, with its low savings and high consumption propensities, cannot have low interest rates for any length of time without running the risk of persistent high *inflation. The upward* pressure on *interest* rates is further exacerbated by the present overall balance of payments deficit.

Spira: What is the current state of play on the fiscal front?

Stals: The deficit in the main Budget, excluding extraordinary transfers, was reduced as a percentage of gross domestic product from 6.6 percent in the fiscal year 1992/93 to 5.6 percent in the fiscal year 1994/95. A substantial carry-over of R6.4 billion of unspent funds at the end of the fiscal year 1995/96 contributed to the reduction in the actual deficit to 5.1 percent in that year.

For the fiscal year 1996/97, the deficit was estimated at 5.1 percent of gross domestic product. The actual outcome will, of course, be influenced by the government's ability to catch up on expenditure backlogs in respect of previously planned programmes which could lead to the spending of part of the funds carried forward to the current fiscal year.

For monetary policy purposes, it is of the utmost importance that the fiscal deficit and dissaving by government be reduced further. This will alleviate the burden on monetary policy to maintain financial stability, and thereby also allow for lower interest rates.

Spira: How would you characterise the principal challenge for current macroeconomic policy?

Stals: The balance of payments deficit at its present level is obviously not sustainable, particularly after the substantial decline in the net capital inflow since February 1996.

The macroeconomic challenge is therefore to judge whether the current slowdown in economic growth will be sufficient to correct the external imbalance, and whether the current monetary policy stance is restrictive enough to underpin this unavoidable adjustment process. In this assessment, account must also be taken of the expected effects of the depreciation of the rand on imports and exports, which will only work through with some considerable time lag.

In the present situation, the Reserve Bank should provide some assistance to the market by selling foreign currency from the official reserves, supplemented by available foreign credit facilities, if necessary. The Bank should also support the money market to assist banking institutions in bridging the period of transition to more stable conditions.

In the this way, the unavoidable but painful adjustments will become more tolerable. At the same time, macroeconomic corrective market forces *must not* be *impeded, but deliberately* encouraged, where necessary, to restore balance of payments equilibrium with a minimum of disruption. Exporters have an important part to play in this adjustment process by taking advantage of the current favourable exchange rate.

The need for a downward adjustment in the rate of expansion in total economic activity will, of course, be reduced considerably if more long-term foreign investment funds can be attracted. The effective implementation of the government's Macroeconomic Strategy for Growth, Employment and Redistribution can make an important contribution towards creating a more friendly investment environment, both for foreign and South African investors.

It also remains of crucial importance that the present wave of crime and violence be seen to be curtailed, and that greater confidence be gained in our determination as well as ability to to achieve our longer term economic goals in the interest of all the people of this country.

MAJOR SOUTH AFRICAN INFRASTRUCTURAL PROJECTS WILL BOLSTER BARLOWS EARNINGS

Warren Clewlow, Chairman of Barlow Limited, speaks to John Spira, Business Editor of a leading Johannesburg newspaper

Spira: Three years ago, Barlows went through a major restructuring/ unbundling exercise. Have subsequent events justified that move?

Clewlow: Four years of flat earnings prompted the restructuring. A bold decision had to be taken to reposition Barlows for the 1990s and the route we chose was one which linked the Barlows companies to infrastructural expenditure.

This enabled Barlows to grow and develop vertically instead of laterally. It facilitated a policy of expanding existing business (after an initial period of streamlining) and of acquiring related businesses thereafter.

In the intervening three years, earnings have moved up to a new plateau. In the year to September 1996, earnings will be 25 percent up on last year, which was 54 percent up on the previous year and a third up on the year before.

I characterise that performance as a rapid and significant rise in earnings.

Spira: You refer to Barlows' earnings have reached a plateau. Does this mean that the steep advance in earnings of the *past three years has come to an end?*

Clewlow: Earnings are now at a level where they won't continue to surge as they have in recent years, principally because a lot of the recent growth has come from improved efficiencies.

Another factor is that South Africa's economic growth prospects, while not depressing by any means, are not likely to expand at a rate much above the current 3 percent a year for the next two to three years.

Spira: Yet South Africa's current economic growth rate is higher than it has been for the past three years.

Clewlow: You have to break that figure up into its component parts. The fortunes of Barlows hinge on the gross domestic fixed investment segment of the economy - a segment those growth has outstripped the rate of overall GDP growth by a considerable margin.

Spira: Do you regard the outlook for grow domestic fixed investment in a negative light?

Clewlow: Not at all. On the contrary, I'm optimistic. What I'm saying is that the likely expansion in gross domestic fixed investment will not be as vigorous as we would like it to be, nor as vigorous as it should be for a country at our stage of development. It should nevertheless continue to grow at a relatively sound pace *but no as fast as in our recovery phases.*

One of the big pluses for Barlows - and for South Africa - is that our mining industry, still an important player in the South African economy, has been doing well. And I envisage that it will continue to prosper.

There are several big infrastructure-type projects in process and more likely to come on stream in the next two to three years. It's actually a very impressive list totalling billions of rands. Those projects will keep Barlows, and the South African economy, ticking along at a reasonably satisfactory rate.

Then, too, there's a fair bit of infrastructural spending coming out of the Reconstruction and Development Programme - spending which is rising to progressively higher levels.

Spria: How are these background factors likely to impact on Barlows?

Clewlow: We do not see volumes growing very fast in the short term but they should be sustained at quite a high level. Bear in mind that I'm talking of growth from a high base following three years of rapid growth.

Spira: How has Barlows been affected by the deadline in the value of the rand? What is the outlook on this score?

Clewlow: The impact has been mixed. One benefit, obviously, has been in our exports. Another is that it has lifted the earnings contributions from our foreign subsidiaries considerably. In the year to September 30, I expect earnings from these sources to be 25 percent of the group total.

The other side of the coin is that imports of capital equipment and consumer durables have become more expensive, as has our exposure to foreign debt. Likewise, it means that we have to use more rands to buy new investments elsewhere?

Generally, however, I'm surprised at how well we've taken it. It's obviously going to put pressure on key indicators like fuel prices and keep interest rates, which are not coming down as we had hoped, high.

And inflation will be hard pressed to hold lower levels - a factor that will delay the scrapping of the remaining exchange controls and with these still in place we will *continue to see a period of* uncertainty.

Given this background, our economy won't grow much more than it is at present.

Spira: What is Barlows' main thrust at present?

Clewlow: In South Africa we have strong market shares across all our product lines. This is strength, but to help with future growth we are also looking at further expanding our businesses beyond our local borders.

Barlows is currently operating in three major geographic areas - South Africa, Africa and Europe. Our operations in those areas have much in common, making for high levels of efficiency.

Our experience with Caterpillar illustrates the point very well and we have learnt much from our experience in Iberia, particularly dealing with a different type of customer in the international construction and engineering industries.

The benefits are such that we are endeavouring to repeat the process across all our business focus areas and in additional geographic regions. Thus, for example, we recently bought the third largest paint manufacturer in Australia after having spent a lot of money in the past three years on upgrading our paint facilities in South Africa.

The main advantage is that this, along with our other foreign initiatives, makes us a noteworthy player in world terms.

If we're going to be successful, we're going to have to be at least as good as our competitors. That puts a new slant of thinking on the efficiency of our people and systems.

What I'm seeing in the Barlow group is a new breed of people coming through. In essence they're no different; they're just like the South Africans of yesteryear. But they are much more international. That's not only new to Barlows but new to South Africa.

We're batting internationally, in the same way as our sportsman have been doing.

Spira: What capital investment plans does Barlows have?

Clewlow: We're constantly having to look ahead well into the future.

Thus, for example, we're planning a modern cement plant which will come on stream in two years' time. We could delay it but then we'd lose market share. So we've taken a decision to put that money down now because in three, four or five years' time it will have proved to be the correct strategy.

The same reasoning applies to expansiON upon we've embarked at our steel pipe manufacturer, RIH Group. It is in thenature of our business that we have to take lon-term decisions.

Spira: Was the RIH decision prompted by its success in countries to the north of South Africa?

Clewlow: Largely so. We're prepared to spend money provided that at the end of the day we produce a product which we can go out and sell to Africa in particular.

We aren't so shortsighted as to believe we can sell large volumes of steel pipes in the developed markets. But in the markets nearest to us we have a strong competitive advantage.

Significantly, we're *starting to witness* a revival in Africa's fortunes, not only via orders for our steel pipes but also via our Caterpillar orders. The amount of equipment scheduled to go into Africa next year is very high. And this year it's a lot higher than last year.

We're noting particular progress in Angola, where the economy is being rebuilt; to Zambia, where the copper mines are being privatised; and in Namibia, where they're working hard at getting things going. In Zambia, where we have had a presence for the past two years, we're upgrading our office and bringing people to South Africa for training.

In short, we're spreading our wings to areas with products we know well, though not necessarily the country or the people. I think we will be staggered at the progress we are *going to see in the development of* our people - and hence in our ability to compete against anyone.

Spira: Barlows is well known for its human resource development. Will this continue?

Clewlow: Of course. Training is clearly of major importance and we are really concentrating on develop,ing our people - for their benefit as well, of course, as for ours. The better qualified our people are, the more competitive and successful we shall be.

Spira: What about management development?

Clewlow: Our management profile is young in years but remarkably well-schooled in experience, especially after having come through the past few difficult years of recession.

At the highest level our management team is not yet representative of the country's population. But we are working towards that goal as quickly as we can. Barlows will give new managers an opportunity to grow and to move around the group itself. Exposure to our foreign know-how partners will be especially encouraged.

Spira: What is your vision for Barlows?

Clewlow: Having ratcheted Barlows up to current profitability levels, I want to at least hold it there. I don't want *it to slip* back and I don't want t to be vulnerable to cyclicality if I can help it. I want to prepare it to go yet further ahead, aided by the fact that it has broken out of the South African mould and into the international arena.

Working very much in our favour is that Barlows has already shown itself to be a company with a clear mission. It possesses both the version and the resolve to develop strategies which suit the times and provide a basis for future growth.

I hope we can maintain clarity of thinking as we continue to progress and deliver realistic performance in line with potential in the years ahead. I am confident that our culture is right for the future.

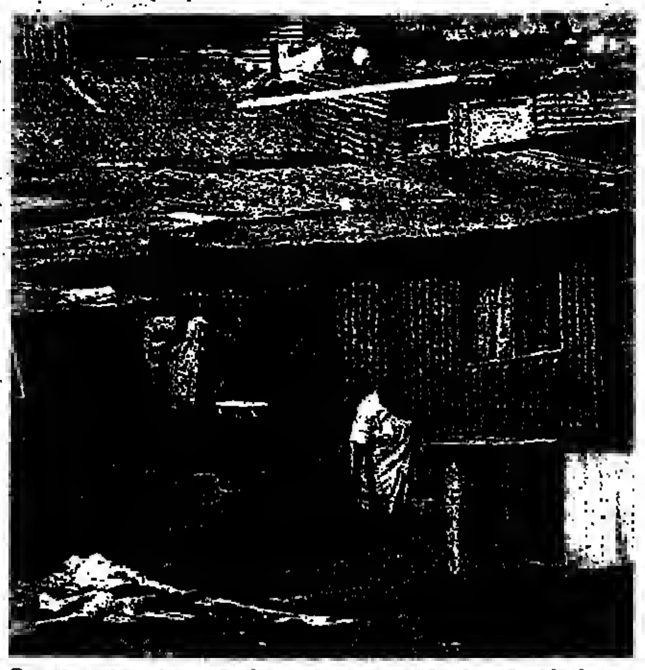
I would hope, too, that our businesses and our trade and influence in neighbouring *African countries* will be well and truly established to mutual benefit and that the beach-heads we have for expansion, especially in Europe, will show good development along the lines we anticipate.

Most importantly, I would like to see us as a company which, because of its committed management, together with its loyal and skilled employees, its high levels of integrity and responsible corporate behaviour, good reputation and success built on performance, continues to attract the best in all positions - people who want to belong to Barlows and who want to make a contribution to the progress and well being of the company and of the our country.

■ **Profile – Telkom:** by Hugo Dixon

Huge financial hurdle looms

Nearly half the group's operating profits are swallowed up by interest payments



Soweto: a target area for improving communications for blacks

The central challenge of *South African* telecoms policy is simple, but daunting: bow to install *millions* of new lines In a few years. While there are 60 lines for every 100 whites in the country, there is less than one line for every 100 blacks. Telkom, the state-owned monopoly, has set a target of connecting 4m telephona lines in five years. Of these, 2m would go to "underserviced" areas – mainly black townships and the countryside – and 1m for areas with existing infrastructure. A further 1m would replace obsolete lines.

One only has to compare this target of 800,000 lines a year with the 150,000 lines Telkom installed last year to appreciate the scale of the challenge. Part of the difficulty will be logistical – few observers believe Telkom has the project management *skills to ramp its engineering effort up so rapidly.* Even if it did, the group faces a huge financial burdle. Though Telkom is profitable, nearly half its operating profits are swallowed up by interest payments on its R9bn debt. Not only would a massive expansion add to debt and *interest payments*; many of the new lines in underserviced areas are unlikely to be profitable.

It is not surprising then that the government is pressing ahead with Telkom's partial privatisation as the centrepiece of its policy. The idea is to bring in one or more foreign telecom*munications operators*, who would *inject perhaps R5bn-6bn* for a 30 per cent stake. As well as helping finance Telkom's expansion, the foreign partner would be expected to bring project management and other skills.

Initially, privatisation ran into opposition from the country's trade unions, who were *fearful it would lead to* job *losses. But, following a* softening in the union's position last month, the government is now free to move on with detailed negotiations with the intention of finalising e deal by next April. Of the eight names on the government's shortlist, observers think Germany's Deutsche Telekom, *SBC of the US and* KPN of the Netherlands are the frontrunners.

The *privatisation process* is moving ahead in parallel with the construction of e new regulatory regime for *the telecoms* market. While the broad outlines bave already been aet, the *details* will negotiated witb Telkom's potential partners. The price a foreign operator is prepared to pay will be significantly affected by four factors.

First, what social obligations it has to *assume*: The more it has to ramp up investment in unprofitable townships, the less attractive the proposition.

Second, how much freedom it has to manage Telkom – in particular to cut costs. Large-scale redundancies may not be necessary, because of tbe massive expansion *plans*. But Telkom's *productivity*, low by international standards, will need to be boosted.

Third, how Telkom's *prices* will be regulated: not simply how much it will be allowed to increase the average level of prices; but also how much it will be able to shift the *balance* between *local and long-distance calls.*

This so-called "rebalancing" could be particularly controversial. If tariffs are to reflect costs, long-distance calls would be much cheaper but local calls more expensive. Such a switch would tend to lower the telecoms costs of *businesses but raise* the *costs* of *residential customers. A policy that ended* up making it even harder for poor blacks to afford telephone lines might be tricky to sell politically.

On the other hand, preventing Telkom from charging economic rates will make it extremely vulnerable *to competitors undercutting* it on the most lucrative long-distance and international traffic.

The final main factor to be determined in negotiations is how long Telkom's monopoly should last. This is closely linked to the issue of rebalancing *tariffs. In theory, if rivals were kept out of* the market for ever, Telkom would not need to rebalance tariffs.

But nobody believes this would be possible in practice: not only is the World Trade Organisation pressing for telecoms markets throughout the world to be *opened to competition*, new technology – such as Internet telepbones, resale of private networks and so-called "call-back" techniques – are making it possible for rivals to sneak in even when not officially allowed. One industry executive thinks Telkom *is already losing* bundreds of *millions* of *rand e year* because of these techniques.

The government is therefore talking about a phased introduction of competition – with the market finally opened up in perbaps three to five years. This period of exclusivity would not be e "blank cheque", says Jay Naidoo, the telecoms minister. It would be linked to Telkom's fulfilment of its social obligations.

Tbe question then becomes what bappens if Telkom fails to meet its obligations – for example, by failing to build new lines sufficiently quickly. The most obvious sanction would be to deprive Telkom of its monopoly.

Some analysts think that, since Telkom has little hope of achieving its ambitious targets, it would be better to introdnce more competition from the start. One advantage could be that, with more companies in the market, expansion of the network would be more rapid. Another could be to open opportunities for e new breed of black entrepreneurs, who might have lower costs than Telkom. Tbey might also be more willing to experiment with wireless *technologies* that could provide *cheaper connections* in the townships.

Nobody is arguing for a free-for-all: thet would merely result in competitors picking the cberries and leaving the townships underserviced.

But some analysts argue for some form of regional or local franchising, with the provision of networks in uneconomic areas financed by a levy paid by all operators.

Mr Naidoo is doubtful whether such e schame would work. But he stresses *that the government* is not averse to discussing *creative* solutions. "For me, the issue is how do you achieve your goals; we are looking for a peckage thet puts Soutb Africa first," says Mr Naidoo.

■ **Industrial growth:** by Mark Ashurst

New corridors of power

Complex projects are at heart of a scheme to draw together industry and resources

On the tenth floor of a drab tower block in Pretoria, government officials are *plotting an industrial renaissance for southern Africa.*

At the heart of their plan lies the concept of "development corridors" – channels of roads, railways, pipelines and power cables which will draw industry closer to the country's natural resources and strengthen its links to *the outside world.*

The project is potentially the biggest industrial infrastructure project since the development of the Witwatersrand, according to Paul Jourdan, special adviser to Alec Erwin, minister of trade and industry. The concept *is a logical extension of an economic policy that identifies export-driven manufacturing* as the key to sustainable growth, be says.

The walls of Mr Jourdan's Pretoria office are draped with maps of mineral deposits, *industrial developments, and road and rail networks. Broad strokes of felt-tip pen* denote new links joining East London and Port Elizabeth to the Western Cape; "agro-tourism corridors" spanning the rural farm lands of KwaZulu Netal; another linking the national parks to Kosi Bay and the little known *"surf and turf"* belt on the south coast of Mozambique.

Corridors are also gaining credence among neighbouring governments. Botswana has mooted plans to build a trans-Kalahari railway, adding a Namibian leg to its national rail system. Zimbabwe is looking at the delapidated Limpopo railway, which may be revived as e freight line to carry ferro-alloys to South African industries and ports.

The complexity of these projects is daunting: sceptics suggest the casb, regional co-operation and regulatory reform needed for such projects is greater than the bureaucratic skills or economic incentives currently available. In the Eastern Cape, for example, a new road from East London to Port Elizabeth has long been on the cards. But further developments *along this axis* depend – inter alia – on Gencor, the mining bouse, approving proposals to build a R1.8bn zinc refinery; the successful creation of an export processing zone close *to East London*; and Portnet, *the state-owned port* company, building a R1bn industrial harbour at Coega, outside Port Elizabeth.

If approved, new infrastructure could provide the catalyst for an estimated R12bn in industrial investment. *Kevin Wakeford, executive director at the Chamber* of Industry in Port Elizabeth, is bullish: the Eastern Cape coastline will in time become a netural bub for industrial exports, he argues.

The port at Durban, which *handled 26,000 tons of freight last year*, is congested – and *tariff* liberalisation favours an increase in trade. Battleship South Africa, as critics dubbed the protectionist economy of the sanctions era, is sinking.

The Maputo Corridor is a product of all these trends – and illustrates another critical change in South Africa, a consensus that industrial development can promote regional stability in the sub-Sahara.

The corridor links the industrial beartland of the Gauteng province, which includes greater Johannesburg, to the Mozambican *harbour capital of Maputo.* Officials say it is inspired by e $3bn development in South America, where Brazil, Uruguay and Argentina expect to share the trade benefits of a new 2,100-km road linking Sao Paulo and Buenos Aires.

A briefing document *circulated to potential investors* describes Maputo as "the key to development of future economic opportunities for Mozambique and South Africa". Before Mozambique gained independence in 1975, about 40 per cent of exports *of processed goods from the* Gauteng region *passed* through Maputo. Today, that figure stands at about 5 per cent, or less than 3m tons of cargo. The port has only rudimentary lighting, and is out of bounds to vessels larger than 30,000 tons.

Reviving the harbour, supplying electricity and installing new equipment at its loading bays will cost up to R500m. A further R75m will be spent dredging the harbour to accommodate bigger cargoes, and upgrading the *roads* will absorb another R800m. New rail and telecommunications links are needed on both sides of the border; the customs facilities may eventually be privatised.

Ketso Gordhan, director-general of South Africa's department of transport, says the South African and Mozambican governments will contribute about 10 per cent of costs with the balance coming from the private sector. "Corridors are a particularly effective way to make sure government is well coordinated nationally and provincially, and interacting continually with the private sector," says Mr Erwin.

Two consortia, each including e European contractor, bave reached the government's final short-list for a build-operate-transfer contract to extend the existing N4 highway from Johannesburg. The R400m road will begin at Witbank, in the province of Mpumalanga, and reach 80km beyond the border point at Komatiport, shaving 150km from the existing route. The contractor isa due to be announced in November.

The true test of the *concept will* be the extent of new industrial investment along the corridor. To date, evidence of the dynamo effect its architects envisaged exists only on paper. Enron, the US gas company, has launched a feasibility study into building a *natural gas pipeline from its* Pande gasfield to a new plant in Mpumalanga. A decision on the $900m project is pending. Phalabora, the mining company, bas signalled an interest in building e slurry pipeline linking the corridor to its existing mines. If approved, the *slurry would* include *magnetite* and phosphate destined for Maputo, where Foskor, the chemicals company, bas launched e pre-feasibility study for a new phospbate processing plant.

■ **Labour and the government:** by Mark Ashurst

Strained relations

There has been a brief resurgence of mass action reminiscent of the 1980s

Trade unions, like everyone else, are still finding their feet in South Africa's new political landscape. Despite their alliance with the ruling African National Congress, moves to liberalise the economy have strained relations between organised labour and the government.

■ **Interview with Senator David Malatsi:** by Roger Matthews

The target for power is 2004

The NP's leading black talks of the agenda for the opposition party, and himself

Mr David Malatsi is the assistant secretary-general of the opposition National Party. He is the most senior black member of the party, end is expected to become the first black to head the Nationalists at provincial level when elections are held later this month in Mpumalanga. He talked about his political origins, policies and aspirations.

Why did you join the National Party?

I have been involved in mainstream politics for over 10 years, and was mayor of a black township from 1985. By doing that I became identified as a target by some black people because I was collaborating with the system as it then existed. I have been working with government and National Party peopla for over 10 years, so it was a logical political route for me to follow after 1994.

Can the Nationalists ever again form a government?

I believe it is possible, and I feel very strongly about it. We hava already set ourselves the target of 2004. And the more I am involved in strategic planning, the more I believe thet it is possible, even though we cannot govern again as the old National Party. It has to be a totally different party.

What must the party do to make itself electable?

It was difficult being a junior member of the government of national unity because the majority of people in the country, and in the party, could not see a marked difference between the National Party and the ANC. Since we have withdrawn from government we have the chance to assert ourselves as a genuine party of opposition, and as an alternative to the ANC. What we must do is to use the experience of some of our members to show how relevant we are to the blacks of this country.

Why should blacks vote for the National Party?

If you look at South Africa, it is obvious that it has a far superior economy to any in southern Africa. And it was developed during the years of apartheid. Despite apartheid, no one can say the National Party government did not invest in the country and create a good infrastructure. As a result, many people in this country today have employment opportunities. This contrasts with those people from other neighbouring countries who are flooding here looking for jobs.

The man in the street, like myself, and the 500,000 other blacks who voted for a non-racial National Party for the first time in the 1994 elections, all knew exactly how we feel about this party. We also understand there is no way we can change tha party from a distance. We have to be within it. Since 1990, whan the laader announced a programme of reforms, the party has been changing very fast. For example, I am now the assistant secretary-general and hope soon to be a provincial leader.

How do you see the future shape of South African politics?

FW de Klerk has already contacted some political leaders. But so far the mainstream leaders are not keen to meet our challange to reorganise the political scenario for this country. Maybe it is because they fear we are threatening to steal their thunder. But they must understand the importance of a realignment because the national and local elections we have had since 1994 were nothing more than an ethnic census, where whites voted predominantly for white parties, and blacks for black parties. In this new democracy, we are saying race should no longer be the dominant issue. But if no other parties come to join us, we are not going to say we cannot do anything. We are taking the initiative, and will re-establish ourselves as a new force.

The National Party must attract substantial support from black people before it can win power. If we cannot do that, we obviously will not be able to form a government in 2004. We have strategies in place, and ways by which we hope to achieve this. More than half the people who voted for us in 1994 were not white. That is a good basis on which to build.

What is the difference between the National Party and the ANC?

The ANC is nothing but a populist organisation, motivated by socialist tendencies. The National Party, however, believes in religious freedoms, in the free market system, and in individual rights. The ANC is dominated by the trade unions, strongly influenced by the Communist Party, and by other elements from the former homelands governments. We, on the contrary, are not dominated by the unions.

How do you see the performance of the ANC in government?

They have had two years and so far very few of the promises they made have been realised. It has not been a very good two years. They must now really start to deliver, but I think they may not be able to. We do not rejoice at this because it gives a bad impression of our country overseas.

What are the worst mistakes of the ANC?

The worst errors have been made in the implementation of affirmative action as a form of reverse discrimination. Brown people are finding that while before they were perhaps not white enough, now they are not black enough. Some are being frustrated by this.

How should the problem of crime be tackled?

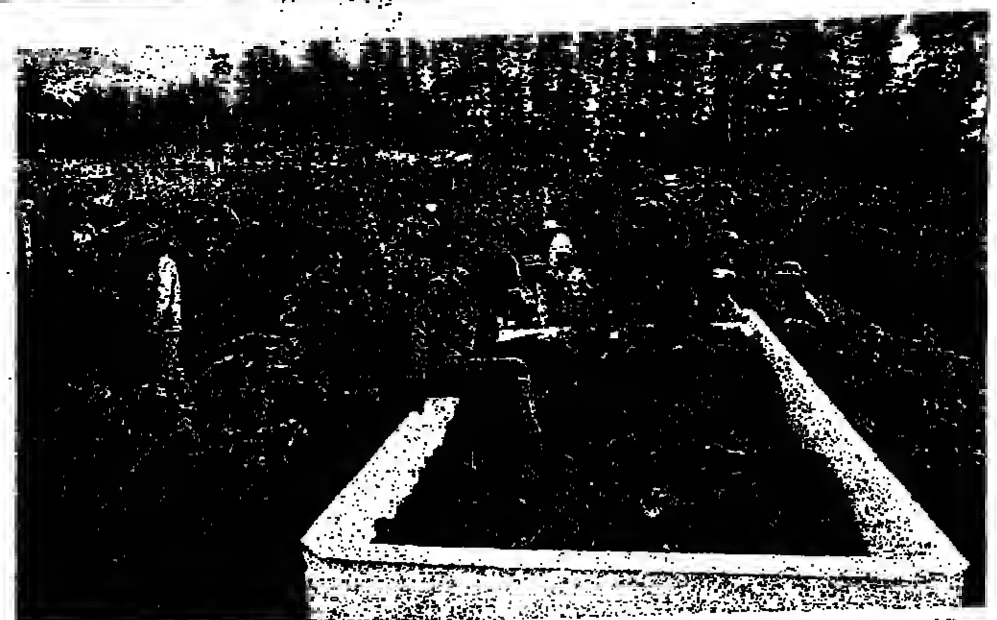
I would immediately deploy 100,000 troops, because it is people's lives that are being lost. The army is sitting in barracks doing absolutely nothing. I would declare war on crime, and by deploying 100,000 troops would free more police for crime detection. We are not using our full potential to halt the rise in crime, which is now running out of hand.

And economic policy?

I would accelerate the transformation of the state sector so that funds could be released to assist the most disadvantaged communities. There are a lot of state assets which are not needed. The hesitation in privatisation is unnecessary. I would not have allowed it to go on this long. I would also move faster to scrap exchange controls because we are now part of the global economy. We have to play by world rules, and we are fortunate in that we have a well developed financial infrastructure. We owe it not just to our people, but to all the people of Africa to make a success of our economy.

Your ambitions?

My greatest ambition is to lead the National Party. And at 35 I have time and age on my side. I will patiently nurse that ambition until the right moment.



Black grapes, black harvesters – but 87 per cent of the country's agricultural land is owned by whites

■ **Land reform:** by Roger Matthews

Expensive legacy

Growing numbers of families are deciding to pool their resources

Land has been at the heart of most revolutions, and South Africa is no exception. When the African National Congress (ANC) came to power in 1994 it was bequeathed many intolerable statistics, but none more emotive than the one which showed 87 per cent of agricultural land owned by whites.

The ANC set itself a target: within five years, it decreed, 30 per cent of the land, or some 30m hectares, would change hands. But with expropriation only to be used as a last resort, the ANC is fast discovering how difficult, and expensive, it will be to bury this legacy of apartheid.

The largest transfer is to be achieved by the state giving people money to buy on the open market. Next, the estimated 3.5m who between 1960 and 1982 were thrown off their land, will get it back, or be recompensed. Finally, many of the estimated 1.2m farm workers will get security of tenure, or the right to buy the land on which they live. But with eight pieces of legislation passed or pending, and popular expectations still rising, the impossibility of achieving the goals within the timetable or the current budget is becoming clear.

However, the political imperative remains. "Blacks in rural areas still suffer insecurity of tenure, landlessness, hunger, poverty and under-development as a result of apartheid policies which forced them off their land and denied them the right to become owners", says Derek Hanekom, minister of land affairs and agriculture. "Unless these issues are resolved, rural areas will continue to be plagued by instability and unrest. We have no choice in the matter. We owe it to our people to address these inherited realities".

Restitution of stolen land is not the toughest part of the rural problem, according to Geoff Budlender, the pragmatic director-general of the land affairs department, although it poses huge difficulties in cities. "In the rural areas the land is still quite identifiable, few changes have been made to it, and the claimants are a coherent group, not widely scattered as tends to be the case with urban claims", he said. "There is resistance from some white farmers, but I am confident that can be overcome". Even so, the numbers are impressive, with over 2,200 claims lodged so far involving well over 2m people.

There are more than double that number of urban claims, affecting such high profile sites as District Six in central Cape Town – where 100 hectares of housing was bulldozed in the 1970s – shopping centres, hotels, and the land on which the Reserve Bank stands in Pretoria.

Far more challenging for the government will be to achieve land redistribution, and to meet its goal of providing security of tenure for agricultural workers living on white-owned farms. Mr Budlender believes if the only goal was to achieve a 30 per cent redistribution of land it could be done within the target date. "It would be cheap and it would be easy. The key would be to find the suckers who would go and live on it", he says. "It is actually a red herring. We could give away vast tracts of land tomorrow, and we would have achieved nothing. The crucial issue is viability".

It is a theme echoed by Rudi Wilsnach of Standard Bank's agricultural division. He estimates that if the government redistributed land with low earning potential it would cost the exchequer about R2bn at present market values. "But the cost of redistributing land with high agricultural potential would represent huge government expenditure of over R28bn, and that would have to be justified by the earnings it generated", he says.

The government is making available R15,000 per head of family for land redistribution, and some support costs. This might buy 150 hectares of the cheapest grazing land capable of sustaining 15 sheep and producing perhaps R1,500 a year. "It's clearly not a practical proposition, even before thinking about transport, equipment and accommodation", says Mr Wilsnach.

One answer, hit on by a growing number of families, is to pool resources. At Rocky Drift in the KwaZulu-Natal midlands, 230 families representing more than 2,000 people, have combined to purchase 5,000 ha of cattle-grazing land, and still leave themselves with R1.7m for investment in equipment and stock. But the purchase has angered the white commercial farmers nearby.

Graham McIntosh, for 10 years an opposition member of parliament and now president of the Natal Agricultural Union, describes the future for Rocky Drift as "a rural timeshare development for the lower end of the market". He claims the families moving there already have land. "They are a landed community upgrading themselves at state expense", he says.

Mr McIntosh believes many of the people moving there will work in the cities and just use the farm for recreation. Because a trust is being set up to own the farm, he argues that the land will in effect be taken off the market and the 230 families will be left with "an unsellable and wasting asset". And, he adds, "because no one will be accountable, neighbours are likely to endure cut fences, illegal grazing and theft of livestock."

Commercial farmers' fears over government plans to give agricultural workers security of tenure, and in some cases the right to buy the land on which the owners permit them to graze stock, are no less serious. "If the issue of tenure reform is not handled correctly it could condemn this country to a permanent second class status", says Mr McIntosh. "Mr Hanekom is creating the impression that these people have the eternal right to live where they are now."

He foresees financially unviable pockets of black-owned land springing up all over white-owned commercial farms, damaging land values, making borrowing more difficult, and reducing productivity. Accusations by Mr Hanekom that a growing number of white farmers are anticipating the problem by evicting labourers is not supported by evidence, claims Mr McIntosh. "But what Hanekom is doing is creating an atmosphere of lawlessness by giving the impression that any eviction is unfair", he said.

Similar emotions are being stirred around urban land, and none more so than District Six. Some would like the 45 hectares which have not been redeveloped to be laid out as gardens, others for the provision of cheap housing. But little attention appears to have been paid to its huge commercial viability, and its ability to provide jobs as well as housing in a city that is experiencing a surge in tourism and is bidding for the 2004 Olympics.

Ultimately, however, the entire land reform programme as envisaged by the ANC will come down to money. This year's allocated axpenditure of R452m is less than half of 1 per cent of the national budget. It is not an issue at the moment because the institutional arrangements are not in place for spending even that amount. But as the department of land affairs has tartly reminded the government, "the funding accorded to land reform is not commensurate with its importance".

If a significant share of the demand for land is to be met, the department says it will need "a dramatic increase, both in its budget and its institutional capacity. If these are increased only marginally above present levels, the land reform programma will most likely be a conspicuous failure".

It is a hard message for the ANC, pressed on all sides for increased spending, but commited to deeper cuts in the budget deficit. It is a tougher message for the millions of aspiring landless. But, for many white farmers, it carries the hope the government will be forced to curb its ambitions.

FT

FINANCIAL TIMES

Dear Reader,

The Financial Times publishes country, industry and financial surveys (ie. separate editorial features) several times per week. In order to help ensure that these meet your needs as a reader, we have commissioned Framework, an independent market research company, to conduct a research project.

Please could you help us by taking a few minutes to complete this questionnaire, fold, seal and return it to the research company using the International Business Reply Service - you do not need a stamp or an envelope.

The research results will be used by our editorial and marketing staff. Your reply will be treated in the strictest confidence as guaranteed by the code of conduct of ESOMAR (the European Society for Opinion and Marketing Research). We do not need you to provide your name, address or company details.

If you have any further comments about this, or other FT surveys, please do not hesitate to write to me directly.

Thank you for your help.

Yours sincerely,

Rhys David

RHYS DAVID
SURVEYS EDITOR

YOUR READERSHIP OF THE FINANCIAL TIMES

3 (1-6)

1. How often do you usually read or look at:
   a. Monday to Friday issues of the Financial Times?
   b. Saturday issues of the Financial Times?

	Monday to Friday (7)	Saturday (8)
Very frequently - at least 4 issues out of 5	☐1	☐1
Quite often - 2 or 3 issues out of 5	☐2	☐2
Less often	☐3	☐3
Never	☐4	☐4

2. Where do you usually read the Financial Times? (please tick all that apply)

	Monday to Friday (9)	Saturday (10)
At work	☐1	☐1
At home	☐2	☐2
While travelling	☐3	☐3
Elsewhere	☐4	☐4

3. The Financial Times publishes surveys most days each week, either within the main body of the newspaper, or as separate sections. On average, assuming five FT surveys are published per week, how many do you read or look at (either on the day they are published or at a later date)?

none	less than 1	1	2	3	4	5	(11)
☐	☐	☐	☐	☐	☐	☐	

YOUR READERSHIP OF THIS FT SURVEY

The following questions relate to this South Africa survey.

4. How much of the South Africa survey did you read/do you expect to have read once you have finished with it? (12)
   - All ☐1
   - Almost all ☐2
   - About half ☐3
   - Less than half ☐4
   - Did not read it - skip to Q11 ☐5

5. Apart from yourself, how many other people will read your copy of this survey?

None	1	2	3-4	5-9	10+	don't know	(13)
☐	☐	☐	☐	☐	☐	☐	

6a. What will you do with this survey once you have finished reading it? (14)
   - Keep the copy or selected pages for further reference ☐1
   - Pass it on to a colleague ☐2
   - Throw it away - skip to Q7 ☐3

6b. If this survey is kept for future reference, where will it be kept? (15)
   - In the company library/another central location ☐1
   - In your own office ☐2
   - In another office/department ☐3
   - At home ☐4
   - Elsewhere ☐5

7. A number of statements are written below which might apply to the South Africa survey. Please indicate how strongly you agree or disagree with each statement.

	Agree strongly 1	Agree slightly 2	Disagree slightly 3	Disagree strongly 4	
It is well written	☐	☐	☐	☐	(16)
It contains information which is new to me	☐	☐	☐	☐	(17)
It is useful to me in my work	☐	☐	☐	☐	(18)
It is well laid out and presented	☐	☐	☐	☐	(19)
It is authoritative and credible	☐	☐	☐	☐	(20)
It is independent and unbiased	☐	☐	☐	☐	(21)
It is up to date	☐	☐	☐	☐	(22)

8. Overall, how would you rate the South Africa survey?

Excellent	Very Good	Fair	Poor	(23)
☐ 1	☐ 2	☐ 3	☐ 4	

9. Are there any other comments you have about this survey? (please write in)

.... (24)
.... (25)
.... (26)

10. Which, if any, of the advertisers listed below do you remember seeing in this survey? (27)

Anglo American Corporation	☐1	SAA (South African Airways)	☐6
ABSA Bank	☐2	South Africa Reserve Bank	☐7
Standard Bank	☐3	Forbes Financial	☐8
Hambros Bank Limited	☐4	Barlow Limited	☐9
Transnet Limited	☐5		

ABOUT FT SURVEYS IN GENERAL

11a. Which, if any, of the following surveys published recently by the Financial Times did you read or look at? (28)
   - Power in Asia ☐1
   - Europe's Most Respected Companies ☐2
   - International Telecommunications ☐3
   - Venture & Development Capital ☐4
   - Chemicals ☐5
   - UK Rail Privatisation ☐6
   - World Economy/IMF ☐7
   - None of these ☐8

11b. Which, if any, of the Africa surveys published earlier this year, did you read or look at? (29)
   - Uganda (April) ☐1
   - Banking & Investing in Africa (May) ☐2
   - Ghana (July) ☐3
   - None of these ☐4

12. A number of statements are written below which might apply, in general, to the range of surveys produced by the Financial Times. Please indicate how strongly you agree or disagree with each one.

	Agree strongly 1	Agree slightly 2	Disagree slightly 3	Disagree strongly 4	
FT surveys are well written	☐	☐	☐	☐	(30)
They are useful to me in my work	☐	☐	☐	☐	(31)
They cover a wide range of topics	☐	☐	☐	☐	(32)
They provide information I cannot find elsewhere/would not see otherwise	☐	☐	☐	☐	(33)
They are better than those produced by other publications	☐	☐	☐	☐	(34)
The writing is independent and unbiased	☐	☐	☐	☐	(35)
They help me to keep informed about new trends and developments	☐	☐	☐	☐	(36)
They are accurate and up to date	☐	☐	☐	☐	(37)

13. In general, how would you rate FT surveys?

Excellent	Very Good	Fair	Poor	(38)
☐ 1	☐ 2	☐ 3	☐ 4	

14. In which subjects or geographical areas are you particularly interested? (please include any which are not currently covered by the Financial Times)

.... (39)
.... (40)
.... (41)

15. In which, if any, of the following ways do you use FT surveys? (please tick all that apply) (42)
   - As a briefing before visiting the country or region featured ☐1
   - As a part of your background research on a particular project ☐2
   - To keep you up to date with a particular industry, country or region ☐3
   - To incorporate into presentations, reports or other documents ☐4
   - To show clients, suppliers or other contacts ☐5
   - To keep you generally informed ☐6
   - In other ways (please write in) ☐7

16. How do you generally find out about forthcoming FT surveys? (43)
   - I look at the Guide to the Week (in Monday's paper) ☐1
   - I see the advance notices in the paper ☐2
   - I receive an advance topic list from the Financial Times ☐3
   - I just come across them on the day of publication ☐4
   - Editorial contact ☐5
   - Advertising contact ☐6
   - PR contact ☐7
   - Other ☐8

17. In which of the following ways have you obtained copies of FT surveys? (please tick all that apply) (44)
   - In your own or someone else's copy of the paper ☐1
   - Had it passed on to you by a colleague ☐2
   - In a library, archive or similar place ☐3
   - Via www.FT.com (the Financial Times on the Internet) ☐4
   - On computer disc ☐5
   - On microfiche ☐6
   - Via FT Profile ☐7
   - Purchased a back copy from the Financial Times ☐8

18. Have you ever contacted a company or organisation as a result of seeing an article or advertisement in an FT survey? (45)
   - Yes - after reading an advertisement ☐1
   - Yes - after reading an article ☐2
   - No ☐3

19. If FT surveys were available electronically, in which of the following formats would you be interested?

Computer diskette	CD Rom	Via the Internet	None of these	(46)
☐ 1	☐ 2	☐ 3	☐ 4	

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■ **Foreign policy:** by Michael Holman

Tricky balancing act

Policy makers are having to contend with the legacy of apartheid and old friendships

Frequently tugged in different directions by old loyalties and *new responsibilities*, and often torn between ethics and self-interest, South Africa's foreign policy makers are still trying to come to grips with the complexities of the post-apartheid era.

"South Africa's foreign policy", said *President* Nelson Mandela last December, "is based on the government's assessment of our country's interests, and our principled stance on issues of human rights, democracy, development and equitable relations among all states."

Putting these principles into practice, however, is proving more difficult than Mr Mandela and his colleagues may have expected.

Friendships forged during the anti-apartheid struggle, *contributions* to the ANC election campaign, the development of new trading partnerships, and the use of aid and investment in the battle for Pretoria's favours, coupled with uncertainty about who actually shapes and co-ordinates South Africa foreign policy, have *all* complicated decision-making.

Attempts to *maintain* diplomatic relations both with the Peoples Republic of China and Taiwan seem to fly in the face of political realities. The commitment to human rights seems hard to reconcile with cordial links with Libya and Iran. Maintaining *friendly* ties with Cuba antagonises the United States. And being forced to retreat from President Mandela's call for oil sanctions against the military regime in Nigeria was an embarrassing set-back.

The result, writes Greg Mills of the South African Institute of International Affairs, is not so much a careful and rational evaluation, as "a *tortuous* balancing act between principles and self-interest in which short-term concerns do not necessarily equate with longer term interests."

In government's defence, deputy foreign affairs minister Aziz Pahad points out that the transition from pariah state to fully-fledged member of the international community has required a fundamental re-organisation of his department, while simultaneously coping with the demands posed from *rejoining* or *entering* for the first time a host of international bodies, and embarking on complex negotiations ranging from the Lomé Convention to nuclear disarmament and a new international trade regime.

No fewer than six foreign *affairs* departments had to be amalgamated – from the outgoing government, the ANC, and the four "homeland" governments. South African representation abroad more than doubled – in 1989 Pretoria had diplomatic relations with only 31 *countries*, *today* it *has more* than 120 missions and entry or readmission to 16 multilateral organisations.

Not making the new government's task any easier was the fact that expectations of what South Africa could do - particularly in Africa – were *inflated* by the image of Mr Mandela, and the hope that he could provide the moral leadership that the continent has been seeking.

It was always unrealistic, say foreign ministry officials, to *expect* South Africa to *step* in *and resolve* the problems of Rwanda or Burundi, Liberia or Somalia, or to transform the Organisation of African Unity into a more effective body.

Even closer to home, say officials, South Africa has to tread carefully. As one official puts it: "We function *as* part of southern Africa and Africa and therefore share an interest in accessing European Union markets ... yet there is also competition, which creates an element of rivalry ... which must be handled with circumspection at inter-government level."

Meanwhile, the apartheid legacy still casts a shadow. *Pretoria's capacity to assist* in maintaining Angola's cease-fire is inhibited by the support the outgoing white government gave to Jonas Savimbi, leader of the Unita movement, and the main rival of Angola's governing MPLA party.

While South African analysts acknowledge these points, they argue that there is another factor which hampers the conduct of foreign relations. It is far from clear, they say, who formulates, or co-ordinates, policy – President *Mandela*, *his* deputy Thabo Mbeki, the foreign minister Alfred Nzo, widely regarded as ineffectual, or the departments of foreign affairs and trade, as well as parliament.

"All weigh in, with confused and conflicting *results*," writes *Greg Mills*, who is especially critical of the conduct of relations with the two Chinas.

Both Beijing with Taipei are lobbying vigorously, employing aid, trade, investment to win over *Pretoria*. Trade with Taiwan is *running at about* $2bn *a year*, compared to $1.3bn with China, but this will be boosted when Hong Kong reverts to China next year.

This, say senior South African officials, should be a deciding *factor* in what they see as an inevitable decision to down-grade *links* with Taiwan. Pretoria's reluctance to move with Taiwan may be explained by the fact that the island's government donated some $10m to the ANC election campaign fund – *China* provided $2m – and a grateful Mr Mandela *remains* reluctant *to* antagonise his generous backers.

This is not the only example, say critics, of donations to the ANC which appear to influence policy.

Has what President Mandela has called Indonesia's "generous financial assistance" to the party influenced Pretoria's low-key *stance on* Indonesia's *role* in East Timor?

Might donations from Morocco account for what is seen as a cooling off in relations between tha ANC and the Polisario Front, fighting for the independence of Moroccan-controlled Western Sahara?

Tony Leon, leader of the Democratic Party, has no doubt: "Our foreign policy is largely available for hire. If you make a substantial donation to the ANC you get special foreign policy considerations."

■ **Politics:** by Roger Matthews

When Mandela goes

In little over a year the president will begin formally shedding national responsibilities

Strolling hand in band with a new companion to meet the *neighbours* is probably a pleasant way of spending a sunny Sunday afternoon. If you are 78 years old, a head of state, and a national icon, it probably also serves to reinforce your place in the country's affections.

Whatever the burdens of office, Nelson Mandela retains an instinctively populist touch. But his romantic wanderings in the Johannesburg suburb of Houghton last month also served a more serious purpose. It was a reminder to the nation that he has other matters on his mind, and in little over a year he will begin formally shedding national responsibilities and spending more time with Mrs Graca Machel, the widow of the former president of Mozambique.

Mr Mandela's *confirmation* that he will not seek re-election as president of the African National Congress in December next year indicates that the transition is already under way. Although ministers can still expect calls from the president at unexpected hours, there is a growing sense that Mr Mandela is increasingly withdrawing from the daily management of government.

The succession has also become clearer over the past six months, with Thabo Mbeki, the deputy president, strongly established to become the next leader of the ANC, and head of state following the general election in April 1999.

For a slow-moving political organisation which needs to accommodate a broad range of views, consensus within the ANC is a painstaking process. But once headed in a particular direction it is also difficult to deflect.

With the imminent departure from politics of Cyril Ramaphosa, the secretary-general of the ANC, Mr Mbeki is left without a serious party rival. A deft politician, with a keen understanding of the currents within the ANC, Mr Mbeki is unlikely to surrender his advantage.

The key to the future of the organisation under Mr Mbeki, and therefore to the overall evolution of South African politics, will largely depend on the emphasis he places on retaining consensus.

On economic policy issues there are already clear divisions in the ANC which may be hampering the implementation of policy but have yet to become confrontational. But personality clashes have surfaced, and none more emphatically than the one which led to the expulsion from the organisation of Bantu Holomisa, the former military leader of the Transkei homeland.

Mr Holomisa, who won most votes in the elections to the ANC national executive in 1994, was stripped of his membership and seat in parliament after making a series of allegations relating to payments made by Sol Kerzner, the hotel magnate, to the ANC and at least one minister. Although one allegation was later confirmed to have been correct it was not enough to save Mr Holomisa, who claims he is only motivated by a quest for truth.

Mr Holomisa is in no doubt that Mr Mbeki orchestrated the campaign against him, but will find a platform from which to mount counter-attacks much more difficult outside the ANC. Should Mr Holomisa now slip into political oblivion, as the ANC leadership hopes, it will be a timely warning for other party members tempted to be publicly critical of government ministers. The alternative for Mr Holomisa, which he rejects, would be to establish a rival political organisation, and seek to draw in other ANC dissidents.

If such a move attracted significant support it might mark the start of the ANC's dissolution as a liberation movement, and its reformation as a political party. Mr Holomisa does have high-profile political friends, such as Winnie Mandela, the president's *former* wife, but she, too, has shown little desire to leave the ANC despite having been sacked as a deputy minister. Mr Holomisa has also been courting members of the communist party, but their influence would similarly decline outside the *ANC umbrella*.

For so long as the ANC juggernaut continues to roll, the prospects of consolidating democracy in South Africa through the emergence of an electable alternative will remain slim. The National Party, having quit the coalition government following the adoption of a new national constitution, has set itself the target of winning power in the 2004 elections.

Although its share of the vote increased slightly during local elections in the Western Cape earlier this year, it remains for the great majority of black voters the symbol of everything against which they struggled for so long.

FW de Klerk, the National Party, appears to have had little response from exploratory talks with other minority parties on a possible political realignment which would focus on shared values rather than racial divisions.

Meanwhile, in parliament, the Nationalists are only adjusting slowly to the unaccustomed role of opposition, where their flawed past makes them vulnerable to ANC counter-attacks.

This weakness will become *more damaging* to the political process if the disciplinary measures of the ANC also serve to limit the opportunity for vigorous debate within the organisation. Mr Mandela has proved himself as a conciliator, but has yet to demonstrate that he is willing to put ministerial competence before past loyalties. Mr Mbeki appears, at least for now, to have adopted the same approach. Those eager for the ANC to dismember itself from within are likely, on present evidence, to be in for a long wait.

Other matters on his mind: **Nelson Mandela and Graca Machel stroll through the streets of Houghton last month**

Vigilante action: People Against Gangsterism and Drugs launched attacks against drug dealers

■ **Lawlessness:** by Roger Matthews

R31bn crime bill

South Africa is emerging as one of the global centres of the drugs trade

No single issue has posed a greater threat to international perceptions of the new South Africa than the growing incidence of crime.

The most violent crimes inevitably capture the biggest headlines, with South Africa suffering a per capita murder rate six times higher than the US, and topping the world statistics for rape.

Last year there were more than 21,000 crime-related deaths in the country. Burglaries and armed *hijackings* of vehicles have also risen sharply in the past two years, particularly in the industrial province of Gauteng, which includes the greater Johannesburg *area* and the capital, Pretoria.

A recent study sponsored by Nedcor, the banking group, estimated *the cost of* all crimes last year at R31bn ($6.8bn) or *18 per cent* of the national budget, a figure which it described *as* being totally unsustainable for a developing *economy*.

White-collar crime was a growing *problem* for business and the report said that some R12bn a year in revenues is being denied to the government "because of rampant smuggling and the virtual collapse of the customs and excise department". The report cited illegal imports of tyres worth R320m last year, and garments valued at R350m.

The paucity of border controls has also been highlighted by a US government study which warned that South Africa was emerging as one of the global centres of the drugs trade. It estimated that there were more than 130 syndicates now operating in the country, while the value of South Africa's own marijuana crop was put at $4.5bn.

President Mandela and his ministers involved with law and *order* have this year declared the war against *crime* to be their top priority, and have deployed *troops to assist* the police.

They were particularly stung in August by the emergence of vigilante groups prepared to take direct action. People Against Gangsterism and Drugs (Pagad), a predominantly Moslem organisation centred on Cape Town, murdered a prominent drug dealer, and have since launched attacks on a number of others. Subsequent opinion polls showed widespread public support for Pagad's action, and the ANC said it would debate the re-introduction of the death penalty.

Ministers argue that the problems are largely inherited. Under apartheid, police paid little attention to common crime, which was allowed to go unchecked in the black *townships*, while police relied on confessions for obtaining convictions. Democracy, they say, *has* made crime much more visible, and served to reveal extensive corruption and involvement in criminal activities by the police.

However, the police claim they are severely understaffed. The force finds it difficult to retain *officers* because of low pay, poor morale, *inadequate* capital spending, and higher salaries being *offered* by burgeoning private sector security companies.

Problems within the judicial system also contribute to the low level of convictions, with the Nedcor study showing that for every 1,000 crimes only 77 convictions were achieved. Of those 77, only 36 result in imprisonment, with just eight attracting sentences of two years or more.

The opposition National Party wants the army to be used more extensively to free police for detection work, and has warned that the high level of crime *is* threatening not just foreign investment, but is also contributing to the increasing numbers *of South Africans* seeking to emigrate.

All politicians agree that lasting solutions to the *crime* problem are necessarily long term, but it is increasingly evident that the public, black and white, are also demanding an immediate response.

Tourism: by Mark Suzman

Problems stifle euphoria

Crime casts its shadow over a dramatic rise in tourist arrivals

With gold mining, the traditional mainstay of the South African economy, in long-term decline, the country has been desperately searching for alternative industries to create jobs and supply much-needed foreign exchange revenue.

For more than a decade, tourism has been touted as the most promising alternative: given the country's combination of spectacular game perks, pristine beaches, excellent weather and a modern transport and telecommunications infrastructure, there has always been clear potential for rapid growth.

Until the final demise of apartheid, however, massive expansion was impossible. The combination of the country's negative international image and perceived political instability acted as a strong deterrent to visitors.

As a new white paper on tourism, published last June by the government, puts it: "Tourism development in South Africa has largely been a missed opportunity. Had its history been different [the country] would probably have been one of the most visited places in the world."

After the 1994 elections, however, that opportunity began to be grasped in earnest – and South Africa has already started to reap the benefits. Following 30 per cent growth in 1994, the number of overseas visitors shot up 52 per cent in 1995, exceeding 1m for the first time. Early indications for this year are that the momentum is easing.

With all this taking place when the global tourist market grew by only 3.2 per cent, that was enough to give South Africa the accolade of the world's fastest-growing tourist destination. Perhaps more important at a time when the country's balance of payments came under growing pressure, total foreign exchange earnings from tourism rose to R13bn.

This rapid expansion has prompted international hotel groups to enter the market in earnest, with companies such as Hyatt, Hilton and Intercontinental making investments for the first time. While the majority of visitors remain European, particularly from the UK and Germany, there has been a resumption in American travel and promising interest from new markets in Asia and the Middle East.

There is certainly scope for more growth. Tourism contributes only 3 to 4 per cent to South Africa's GDP, compared to a global average of around 11 per cent. Meanwhile growing competition in the travel industry (Virgin Atlantic will this month become the latest airline to start regular flights from the UK to Johannesburg), combined with the recent fall in the rand, means that despite the long journey for most visitors, a South African holiday is now remarkably good value.

But amid all this good news, serious problems are emerging. Most problematic has been the country's high incidence of violent crime. Sporadic high profile incidents such as car hijackings have already led to several cancellations by tour groups as the country's one-time reputation for political problems is replaced by a perception of a violent and lawless society.

This has been exacerbated by the fading of interest in the country following the burst of international sympathy after the 1994 election and global admiration for President Nelson Mandela. Also, the rapid growth in the number of visitors has exposed serious capacity constraints in the hotel industry, and many departing tourists have expressed dissatisfaction over standards of service.

Both these problems are manifest in the Western Cape, which with Cape Town and the wine region remains the country's premier tourist destination, attracting some 60 per cent of all visitors. *After years of hotel* occupancy rates averaging around 50 per cent, last year they soared to 85 per cent, with many overbooked during ths holiday season.

There is a shortage of top quality accommodation in the greater Cape Town area, and although up to 20 new hotels are being planned, it will be several years before they are ready to taks guests. The Cape has traditionally had a reputation as the least crime-ridden area in the country, but some vigilantism and gang wars in surrounding townships have recently tarnished its reputation.

Preliminary figures for the first half of 1996 appear to indicate slow or no growth in overall tourist numbers with only a small increase in the Western Cape. Although its white paper paints e rosy picture of the future – envisaging 1m new tourism-related jobs and a doubling of the market as a proportion of GDP by 2005 – the government has not offered any new resources to the industry. Indeed, it has cut the tourism marketing budget to provide extra money for mors politically sensitive areas such as healthcare, education and policing.

This has proven very frustrating for the sector. "Government funding at all levels has been woefully inadequate," says Gordon Oliver, chief executive of Captour, which promotes tourism around Cape Town. "They still seem to have a fundamental lack of appreciation about the real economic value of tourism."

The situation is further complicated by other factors. Prominent among them is a residual suspicion of – and sometimes hostility to – tourism on the part of the black community. Only an estimated 20 per cent of black families have sufficient resources even to take advantage of internal tourism opportunities, and many remain unconvinced that promoting the sector does more than enhance the revenue of white hotel owners. "We need to show how the black community can get involved in everything from *transport* tn *catering* to entertainment as well as running tourist operations themselves", admits one government official.

For some analysts, howsver, this slow-down repreaents a ussful breathing space to allow the country to start planning its tourist strategy with more care, thereby ensuring that it does not inadvertently transform itself into a low budget package holiday destination.

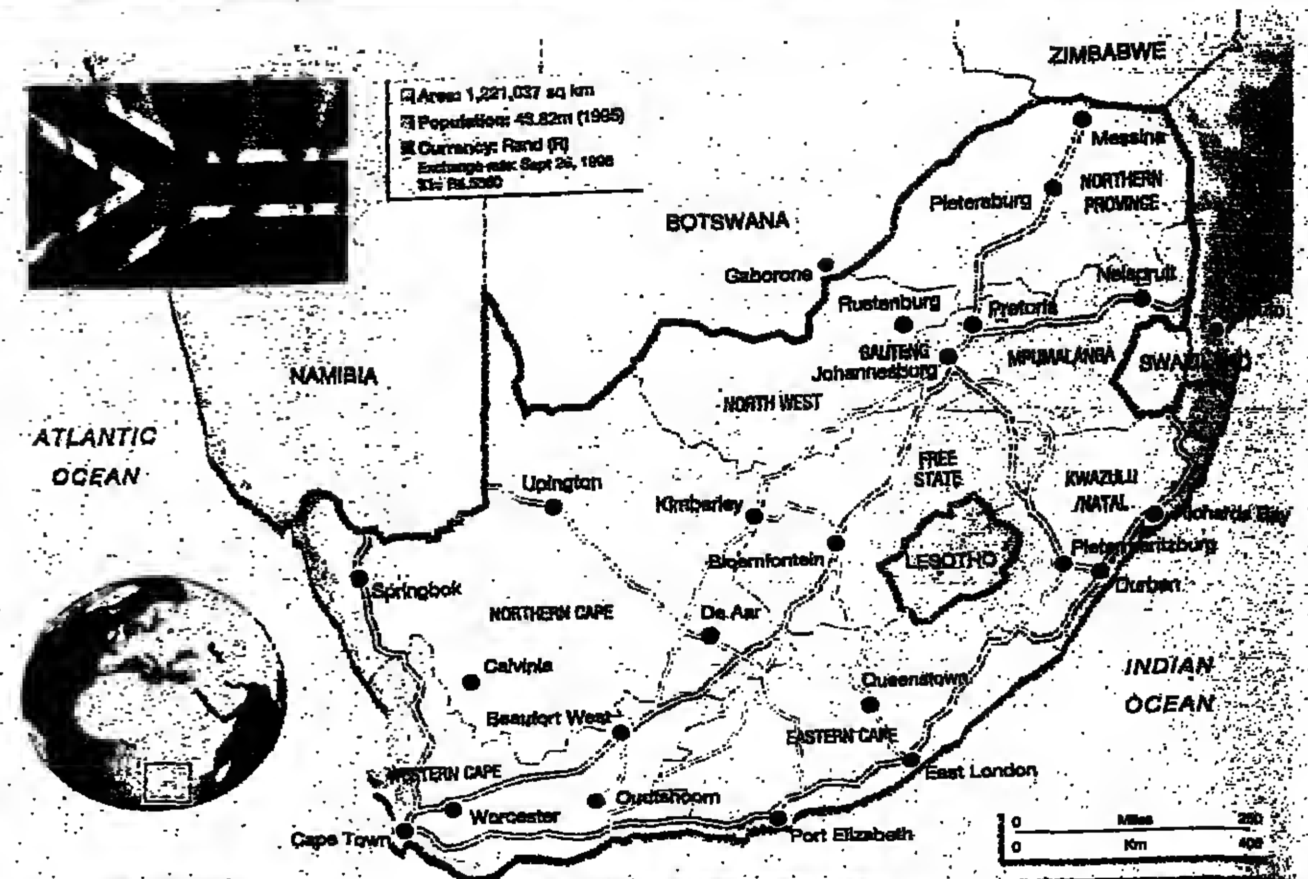
This concern has already manifest itself in South Africa's game parks, where an increasing number of private operations are focusing on the high margin, low impact "eco-tourism" market to preserve resources while maximising revenue.

Even government-run institutions euch as the famous Kruger Park impose strict restrictions on the number of overnight guests to minimise potential environmental damage, and coastal resorts are trying to manage growth and new developments so as not to damage irreplaceable resources.

"We've been dazzled hy the 1994 and 1995 figures, but in the long term sustainable growth in tourism is probably more on the order of 4 to 6 per cent rather than the 15 to 20 per cent the government has been predicting", says Wolfgang Thomas, general manager for economic development at Wesgro, an agency promoting business in the Western Cape. "If we don't get over-ambitious I think we can manage that quite successfully."

Bnt according to Mr Pallo *Jordan*, the *minister for* tourism and the environment, while the government has a role to play, the hurden for managing that growth will, for the foreseeable future, be in the hands of the private sector.

"The government will play its part in promoting human resource development to improve service levels and productivity in ths industry, to provide bulk infrastructure for tourism purposee and to ensure that industry develops along sustainahle principle", he says.



General information

Head of state: President Nelson Mandela

Ministers

T M Mbeki - Deputy-president

Prof A K Asmal (Water Affairs and Forestry), Prof S M E Bengu (Education), M G Buthelezi (Home Affairs), A Erwin (Trade and Industry), Ms G J Fraser-Moleketi (Welfare and Population Development), D A Hanekom (Land and Agriculture), Z P Jordan (Environmental Affairs & Tourism), P M Maduna (Mineral and Energy Affairs), S R Maharaj (Transport), T A Manuel (Finance), T T Mboweni (Labour), J Modise (Defence), M V Moosa (Provincial Affairs and Constitutional Development), Ms S D Mthembi-Mahanyele (Housing), F S Mufamadi (Safety & Security), S E Mzimela (Correctional Services), J Naidoo (Posts, Telecomms and Broadcasting), L Mtshali (Arts, Culture, Science and Technology), A B Nzo (Foreign Affairs), A M Omar (Justice), J T Radebe (Public Works), Ms S Sigcau (Public Enterprises), Z S T Skweyiya (Public Service and Admin.), S V Tshwete (Sport & Recreation), Dr N C Zuma (Health)

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US: Tel (012) 342 1048

High Commissions

Australia: Tel (012) 342 3740
UK: Tel (012) 433 121

Public holidays

Fixed dates: Jan 1 (New Year's Day), Mar 21 (Human Rights Day), Apr 27 (Freedom Day), May 1 (Workers' Day), Jun 16 (Youth Day), Aug 9 (National Women's Day), Sep 24 (Heritage Day), Dec 16 (Day of Reconciliation), Dec 25 (Christmas Day), Dec 26 (Day of Goodwill)

Variable dates: Good Friday, Family Day (the Monday following Easter Sunday)

Mining

Mining sector accounted for about 7 per cent of GNP in 1995. *Gold accounted for 20 per cent of* total 1995 exports. South Africa is a major exporter of iron, granite, asbestos, manganese, chrome and titanium ore and coal. Foreign exchange earnings from mineral exports were worth R43.5bn in 1995. Coal exports in 1995 were worth R6.5bn.

Economic summary

	1994	1995
Total GNP (US$bn)	119	131
GNP per capita (US$)	2,767	3,011
Real GNP growth (%)	2.5	3.3
Inflation, consumer prices (%)	9.0	8.7
Share prices, Ind comm (1985=100)	224	264
Agricultural output (1979-81=100)	105.5	88.9
Mining production (1990=100)	99.1	99.3
Gold (tonnes)	580.2	522.39
Diamonds ('000 carats)	10,854	9,683
Iron ('000 tonnes)	30,489	31,946
Copper ('000 tonnes)	160	182
Manganese ('000 tonnes)	2,851	3,199
Coal production (m tonnes)	196	206
Manufacturing output (1990=100)	94.8	102.0
Exports fob (Rbn)	90.0	101.0
Gold (Rbn)	22.6	20.2
Imports fob (Rbn)	79.15	98.0
Balance of trade (US$bn)	3.2	0.7
Current account (US$m)	-629	-3,489
External debt (US$bn)	27.93	32.0
Exchange rate (R per $)	3.549 (av)	3.627 (av)

Compiled by Abdul S. Bemath

Agriculture

Although the relative importance of agriculture has declined - accounting for only 4 per cent of GNP in 1995 - the country remains a net food exporter. The sector is highly diversified and a wide variety of food crops are successfully grown. Main crops include maize, sugar, citrus and deciduous fruits, grapes, sorghum and groundnuts. Livestock farming also important. Wool exports are also earning valuable foreign exchange, R709.5m in 1995-96.

Industry

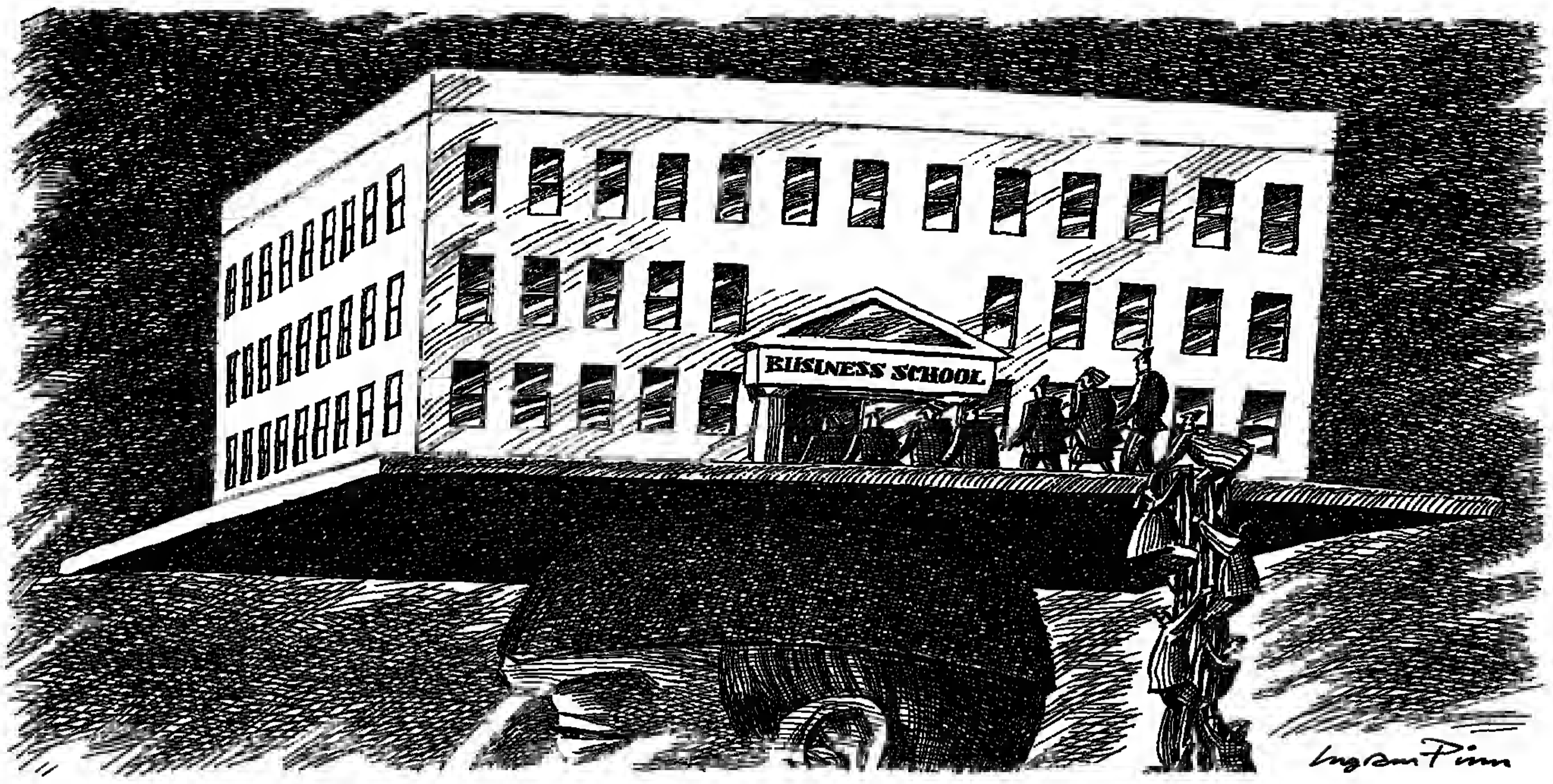
In 1995 the industrial sector as a whole contributed 22.1 per cent to GNP and employed 26.1 per cent of the workforce.

Sources: South African Reserve Bank; Development Bank of Southern Africa; Minerals Bureau; Nedcor Economic Unit; Chamber of Mines

BUSINESS SCHOOLS: an A to Z Guide

A year to remember

Europe has to meet the challenges of technology and US schools, writes **Della Bradshaw**



Even to the most conservative business school pundit, 1996 has been a very good year.

Not since the heady days of the 1980s have business schools seen such a high number of applicants for places on their flagship master of business administration (MBA) degrees. Funds have been flowing in to bolster academic coffers and fund the implementation of the technology needed by business schools into the next millennium.

While a few years ago, graduate law was the fashion, today management is all the rage. "The MBA is the degree of choice, now," says Ms Meg Manderson, director of Masters Admissions at the Massachusetts Institute of Technology Sloan School of Management.

The MBA's rise in fame and fortune has been particularly noticeable in the US. At the Sloan school, for example, over 3,000 applications were received for some 350 masters places. At Duke University's Fuqua school of business it has been a similar story: more than 2,900 applications were received for just 325 places – and those are just two examples.

In Europe as well, the biggest and the best schools are responding to increased demand. Insead, at Fontainebleau near Paris, decided to expand its MBA programme this year because it had been turning away too many highly qualified applicants.

The increase is part of a general expansion plan by INSEAD which includes a 30 per cent increase in research, an additional 13 faculty members and a large building programme. The expansion is a result of an aggressive five-year fund-raising campaign which began in September 1995.

The target was to raise FFr700m (£88.6m) to fund research at the school and the money is flooding in from corporations and individuals alike.

Raising funds the American way has also given a massive fillip to management education in the UK, where entrepreneur Wafic Said gave £20m earlier this year to fund the development of the Said Business School at the University of Oxford.

The growing importance of management education in Europe has led to increased pressure for an official accreditation scheme to sort the good schools from the mediocre – and the bad. Leading the way has been the UK, where, later this month, a scheme should be approved with implementation likely in 1997.

The proposed UK MBA accreditation scheme will award three grades: "accredited" – about 40 per cent of courses – "recognised" and fail. The scheme has been devised because of pressure from individuals and companies alike who want guidance on courses available.

But the Association of Business Schools and the Association of MBAs, the organisations which have devised the scheme, have also been goaded into action by fears that the American accreditation body, the American Assembly of Collegiate Schools of Business (AACSB), may develop an internationally-recognised accreditation scheme which is based on US values.

One reason for AACSB's push into Europe has been the growth of courses run by US business schools outside the US. June this year, for example, saw the launch of Fuqua's global executive MBA programme which combines traditional teaching and technology to weld together a master's course which can be studied in Europe and even further afield.

In executive education, too, schools are taking their wares overseas. Harvard, the doyen of business schools, decided this year to hold one of its shorter programmes, *Achieving Breakthrough Service*, in Switzerland and Toronto as well as Boston.

While US MBA programmes are still largely full-time courses, part-time, modular and distance learning MBA courses are proving particularly popular in Europe, where managers are unwilling to give up their jobs to study. Fewer than 30 per cent of students in the UK, for example, study full-time, and those that do so are often investing their redundancy payments to do the course – in some instances one third of a school's full-time MBA students are redundant managers.

But the biggest challenge for business schools – and the biggest opportunity - has been in the implementation of technology to deliver course material, both on campus and to more remote locations.

At the forefront has been Harvard, which has taken less than a year to computerise its campus under the watchful eye of newly-appointed dean Kim Clark.

The noted Harvard case study method remains at the heart of teaching but students can now plug into the text on their PCs in the main campus buildings or in their dormitories. The cases are illuminated with video footage on the computer screen so students can assess the situations by the expression on a manager's face as much as by the word on the page.

The Amos Tuck School of Business Administration at Dartmouth College, famous for hosting the first MBA course at a US university, is also turning to technology for its day-to-day teaching.

Its plan has been to replace the traditional perusal of corporate case studies with live data or recent information fed into the school from co-operating commercial organisations. Every student will be working with up-to-date information which has been supplied by a real corporation.

Perhaps the biggest technological impact on business schools will come from the use of the Internet for electronic messaging and data transmission. Some schools are even relying heavily on the Internet for transmitting course material.

In the US, the University of Phoenix already sponsors an MBA degree which allows students to attend classes and submit homework assignments online. Phoenix University now has more than 1,500 students enrolled on its Internet masters programme.

In the UK, the Southampton Institute is using the Internet as the backbone for its three-year part-time MBA course which began in January 1995.

The main selling point for the online degrees is convenience – students can study when and where they choose. An added advantage is that they train students to use the Internet.

Most of the elite business schools still reject long-distance degree courses in favour of a campus-based approach, where students can interact face-to-face with each other as well as with their tutors. Nevertheless, all business schools acknowledge that the Internet will play a growing role in keeping in contact with their graduates. This is particularly important in the US where so much of the university funds come from alumni donations.

It will also help the schools retain the loyalty of their alumni when they need to to be retrained. The latest buzz phrase in business school jargon – lifelong learning – is dependent on access to the sort of long-term communications technology that the Internet provides.

Lifelong learning will bring a new set of challenges. As more and more management training taking place within the office, rather than on the campus, other sorts of organisations – specialised training companies or individual trainers – could steal away the business from under the noses of the more traditional schools.

Corporate business schools, too, are proving an increasing challenge to their Ivy League peers. The Arthur D Little school of management, for example, has long offered a masters degree in management.

It is now applying for charitable status so that it can compete in trying to attract the top students with its most famous of neighbours the Sloan school and Harvard.

II BUSINESS SCHOOLS

A

The quest for acclaim

ACCREDITATION, ie some formal recognition of the quality of programmes offered by business, is currently the hot topic in European business schools after some years of ignoring it completely.

In the UK, AMBA (the Association of MBAs) and ABS (the Association of Business Schools) have come up witb s joint plan for accrediting MBA programmes. The spur has been fears that European bodies such as EFMD (European Foundation for Management Development) might launch their own accreditation scbemes or even that the AACSB (the American Assembly of Collegiate Schools of Business, which accredits all business scbools in the US) might extend its operations to Europe.

But the accreditation issue is fraugbt with complexity and the AMBA/ABS scheme is itself complicated, with a proposed two-tier system of "accredited" and "recognised" MBA programmes.

Most business schools recognise the need for some measures to clear a confused market, especially in the UK with well over 100 institutions offering an MBA.

Dr Ian Turner at Henley Management College says that, while he welcomes accreditation, he is concerned that "it might stifle innovation and creativity."

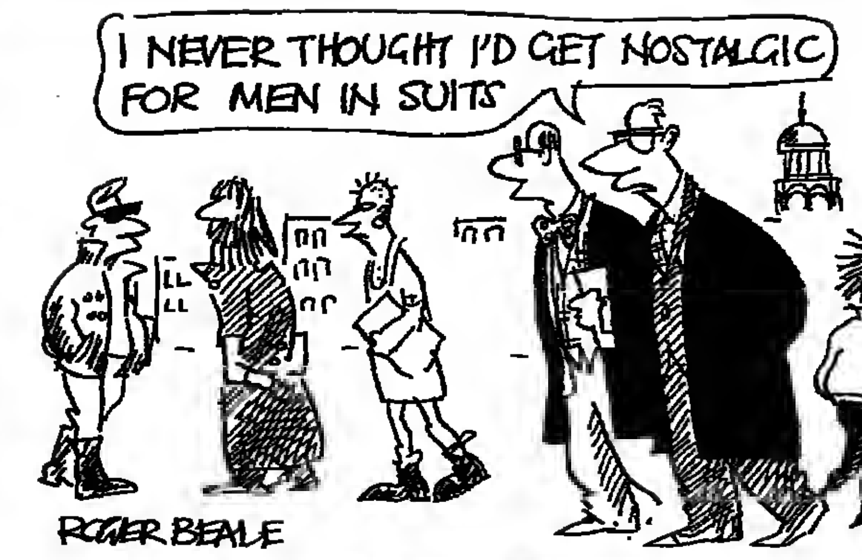
There are also concerns that accreditation may lead to a lowering of standards rather than an improvement – a frequent complaint in the US.

And it seems likely that some of the smaller UK schools could face the end of the road if they fail to gain accreditation.

Traditionally, the leading European schools have been lukewarm about the whole issue, preferring, as they say, to "let the market do the accrediting."

Mr Leo Murray, the ebullient bead of Cranfield Scbool of Management, tends to maintain that view. He argues that accreditation is a minor issue backed by no evident market demand and that the UK market, given the number of published guides and newspaper articles about MBA, is not as opaque as is usually supposed. He describes the issue as "nothing more than a bureaucrat's dream, which serves little real purpose for prospective MBAs."

On that point Dr Turner agrees. "Business schools are in danger of being audited to death," he says.




MBA students working together at Manchester Business School

Names that count

ALUMNI are people wbo have already been to business schools. Strictly speaking they should bold some degree, usually an MBA, from the institution but many schools regard anyone who has passed tbrougb their doors to take a programme, however short, as an alumni. There are good reasons for this.

The scbools see their alumni as a valuable resource. Word-of-mouth recommendation is one of the most effective forms of advertising for business schools and alumni can usually be counted on to say the right things. Most schools have lists of alumni who are prepared to talk to the media or prospective students.

Many help to screen applicants througb interviews and will often support their alma mater at recruitment fairs and the lika. Perhaps most importantly, they can be a useful source of job prospects for graduating MBA students and, especially in North America, may be a source of significant financial endowment.

So while alumni may be gone they are most certainly never forgotten. While business schools vary in tbe strengths of their alumni, maintaining and building contact with them is a crucial area that many scbools invest in heavily.

For example, they sponsor newsletters and class reunions to bring alumni back on campus. Tbey encourage far-flung graduates to set up groups wherever they are in tbe world and any faculty member or even the dean who happens to be in the area will almost certainly visit the group.

Many scbools are now even offering free or low-cost "refresber" courses to lure alumni back to their old school. Additionally, a number of scbools are now extending their placement or career advice services to alumnl, often, as at Cranfield, throughout their career.

A group of European business schools have now linked their alumnil networks together in a system called Alumnet to offer wider contacts and links. The schools involved are Bocconi, Cranfield, IESE, ESADE, WHU Koblenz, ESC Lyon, Sovlay and Vlerick.

B

Change at the top

BUSINESSMEN AS DEANS: These days deans mean business. While the overriding qualification for the top job in the past was a solid academic background and a long list of research pubbcations, in the new commercially-orientated world of US business schools deans need to be ambassadors, as adept at marketing as they are at macro-economics.

The big three business scbools to have appointed business people as deans are the Wharton school, at the University of Pennsylvania, Darden, at the University of Virginia and, most recently, the Fuqua scbool at Duke University.

Mr Rex Adams took up his new job as the fourth dean at Fuqua in June after 30 years in the oil business. He brings ambitious plans on how to finance the growth of the school, increasing the number of faculty there by 50 per cent over the next five years.

New faculty and old will see a change in the focus of teaching at Duke, although Mr Adams is adamant that quality research will continue. He intends to alter the balance of courses by freezing the size of the daytime MBA programme and expanding both executive MBAs and shorter executive courses. That will bring in more cash to fund the expansion. He believes business schools are increasingly open to the idea of appointing business people to the position of dean and there is no shortage of businessmen who covet jobs. The problem, he believes, is finding such people with sufficient knowledge about the world of academia.

Only the best will do

BUILDINGS: High-quality facilities make a big difference to the experience of attending a business school. Many spend huge amounts of money updating or completely rebuilding their premises. Most executives and MBA students have recently left modern well-equipped offices and few are willing to settle for less.

Most new buildings have gone up in the US with stunning new facilities in place or under construction at places like the Haas School of the University of California at Berkeley, Stern in New York, Darden at Virginia University and Cornell and Goizueta (Emory University in Atlanta).

In Europe, there is building work or refurbishment going on at most schools. Most notably, in Manchester, the new Manchester Federal School of Business and Management, which links Manchester Business School, the School of Management at UMIST, the university departments of accounting and finance, and the programme of policy research in engineering, science and technology, is going ahead with a new £5m-plus, 6,000 sq m building.

With a new business school building coming in at $30m and upwards, the ability to raise the large sums needed to pay for modern facilities may well be a key competitive factor for business schools in the future.

In terms of what should be available, the very minimum requirements are a good library of management and business books, access to national and international databases and communication systems, CD-Rom files and so on. While most schools tend to have computer labs, many now require students to turn up with their own lap-top computer and provide input jacks in every conceivable corner of their buildings to allow access to their own and international networks.

Indeed Theseus, an up-and-coming school near Nice in the south of France, has taken this route and abandoned computer labs altogether on the grounds that "we don't have telephone labs."

Money for new rope

BURSARIES: Most schools offer some form of scholarship for degree programmes. However, the number and value vary enormously ranging from totals available of well over $1m at some US schools to a few thousand pounds in the UK. Most are linked to merit (a high scholastic achievement and potential that will reflect well on the school), need (high potential but few resources) or specific groups (minorities or women). Few scholarships cover all costs.

Schools have various reasons for offering scholarships. Some use them to attract the best students in order to increase their ratings in GMAT scores, grade averages or salaries on graduation. Others use them to attract a particular type of student or even a single individual. They might, for example, be eager to attract students from a particular newly emerging country in order to develop future links.

In such cases scholarship competition between schools can become intense. In one real-life case a student was wooed by two top schools on opposite sides of the world. One offered a full tuition scholarship; the other offered full tuition, accommodation and day-to-day expenses. The latter won.

Scholarship help, in other words, is becoming one of the marketing tools that business schools employ.

C

Real life creates problems

CASE METHOD: The case method simply means that subjects, from accountancy and statistics to marketing and corporate strategy, are taught using case studies of actual companies' experiences. These are usually framed as narratives.

Some will have a mass of supporting data, relevant and otherwise. Others will have little and students, like managers, will be expected to respond on the basis of the information available.

Very often the case study will end with the central manager figure facing a dilemma which students must analyse and then justify the action they recommend. The virtue of the method is that it reflects the messy, cross-functional nature of business life where there are no clear-cut problems and no right or wrong answers. Schools that use case studies exclusively say that subjects such as accountancy can be taught using the method; others argue that it is best suited to broader areas such as marketing or strategy.

The case method usually involves calling on a single student (sometimes a group) to present his or her analysis of a dilemma contained in the case, and the recommended action, to the class.

The subject is then thrown open to discussion where objections are made, alternatives are offered and so on. Often the professor will take only a minor, facilitating role in the discussion. Many schools use "cold calling", which means that none of the students know which individual or group will be called on to give the initial presentation. As a result, since an inarticulate or poorly-prepared response is likely to lead to ridicule and low grades, every student prepares the case meticulously.

One problem with the case method is that cases take a lot of time and resources to find, study and write. Few schools could write all their own cases even if they wanted to, and most use studies prepared by other schools in addition to their own. Harvard, an exclusively case-method school, is probably the most prolific source.

The predominance of American cases from this and other US schools provokes criticisms elsewhere that the case method results in an inappropriate cultural bias. For economic reasons old cases are used which do not reflect current problems and issues.

A further criticism, especially from employers, is that the case method develops a habit of concentrating on the overview of management problems rather than the detail of how to solve them. This may be one of the reasons why so many MBAs go into management consultancy, and why there are complaints that when they walk into their first job they act like the chief executive.

Nevertheless, the case method seems to be coming back into fashion. It remains a stalwart of MBA programmes around the world if only because it stimulates class discussion and forces students to think for themselves (and fast) about real business problems.

Many students say it has significantly helped them to increase their self-confidence. But it can provoke some cut-throat competition, particularly where grades are awarded for class participation. Gaining "airtime", as students tend to call the opportunity to speak, becomes almost as important as understanding the arguments that are being put forward and learning something from the case.

Cases may get a new lease of life through the application of new technology. Information technology has been slow to make an impact in management education because learning in this way presents bigger problems than the science suggests.

BUSINESS SCHOOLS III

D

From the outside

DISTANCE LEARNING: The huge growth in the number of MBAs awarded in recent years is largely due to the distance-learning programmes. They are most common in the UK, with Henley Management College and the Open Business School (part of the Open University) each having more than 4,000 distance-learning students spread throughout the world.

Students study in their own time at home or even while travelling, and programmes can take three years or more to complete.

Distance learning has its roots in the old-style correspondence course and to some extent shows that. Much learning material is print-based. However, the growth of technology such as multimedia, video and computer links, is starting to have an impact. This is especially so of computer-based communication systems such as Lotus Notes and, of course, the Internet. This allows students much more contact with their business school faculty and with each other.

Many schools, most notably the Fuqua School at Duke University in the US, are now starting to exploit these technologies to enter the distance-learning market on a global scale, often combining it with classroom-based modules. Not surprisingly, there is a fairly high drop-out rate and schools do a lot to try to break the isolation of students.

As well as electronic communication, many schools provide personal tutors, whom students can telephone with problems, hot lines, summer schools, weekend seminars and local support groups.

How students finance their MBA programmes (%)

	World	N America	Europe	Rest/world
Self-financed*	78	86	77	70
If self-financed, how was money raised?**				
Bank loan	27	38	25	17
Redundancy pay	2	1	5	1
Savings	44	36	43	55
Parental help	21	17	23	24
Spouse support	6	8	6	4

*% of respondents. **% of importance accorded by students to each source.

Source: Which MBA? EIU 1996

E

Going hand in glove

ENTREPRENEURSHIP: Entrepreneurship and business schools many not go together automatically in most people's minds – the assumption is often that they are geared to the needs of rather stolid "big business".

But in fact most are botbeds of enterprise in both teaching – the number of MBAs demanding elective subjects in new ventures or how to write a business plan bas been one of the growth stories of the 1990s – and research. Many schools have both fostered close links with local entrepreneurial companies and numerous academics have gone off to start up their own small companies.

In part, this reflecta the economic insecurity of recent years. MBA students in schools as diverse as Stanford, Chicago and Wharton in the US and Insead, Imperial College and IMD in Europe have preferred to risk their careers on their own ideas rather than in an apparently secure job that might at any time be subjected to change.

But it is also a response to a realisation that most job growth has come in the small- and medium-sized sector and also that even the largest corporations are looking for evidence of an entrepreneurial cast of mind.

New tools with roots in old-style correspondence courses

Not least, too, has been the growth of entrepreneurship within the business schools as a respectable and fast-growing area of expertise.

● *In November, the FT will launch a new series, "Mastering Enterprise", which will appear as a weekly tabloid supplement to the main newspaper.*

Way beyond a joke

ETHICS: Much like entrepreneurship, not many people expect ethics to feature as a hot issue at a business school. In fact, most schools have included ethics either as a separate part of their core MBA curriculum (often as a compulsory subject) or have made efforts to ensure that an ethical dimension pervades all their teaching since the mid-to-late 1980s.

Mainly this was a response to the often notorious corporate scandals of the time.

Inevitably its still produces a few jokes. "It must be a short course" or "Isn't business ethics an oxymoron?" are only the best known.

But with the growth of a much more aware consumer body that is interested and takes an active part in environmental issues, more active shareholders, ethical investment trusts and a general feeling that corporations must be responsible to all their "stakeholders" – and not only to shareholders – the concept of business ethics has become of paramount importance.

It is true that some business schools have been clumsy in the introduction and treatments of ethics as a subject.

But most cover the area well and some, such as IESE in Barcelona, which with its Catholic background has always espoused an approach to business that puts people at least equal to profits, have found that a once-unfashionable attitude is now generally embraced.

Henley Management College: a proponent of distance-learning programmes which are largely responsible for growth in MBAs awarded

F

The proof of the pudding

FACULTY: The high quality of a school's faculty, that is teachers and research staff, is the essential foundation of its reputation, and vital to attract corporate support and good students. The number, abilities and relevant qualifications of the faculty are the chief indicators of a school's standing and they become a primary marketing tool.

Some scbools, such as Chicago, can proudly claim to *have Nobel Prize-winning* economists or mathematicians on their staff, and American schools, in particular, set great store by their star professors. These are gurus who have built their reputations in academic journals and books, on the conference circuit and throngh their consultancy work.

They tend to be excellent presenters on the platform, but the time they devote to teaching and inspiring their students may be limited and they can be poached by other schools anxious to improve their marketing pull.

Tnp-class academic staff who possess the required combination of original and positive thought, a realistic grasp of corporate issues and, in addition, the skill to impart their knowledge and enthusiasm to their students are rare.

Apart from their own faculty members, schools will also have a number of visiting lecturers, from other schools, companies and elsewhere, who bring fresh knowledge and perspectives into the classroom.

Business scbool faculties have received a lot of criticism in recent years, especially in the US. The complaints are the familiar ones that staff are more interested in their research and conferences than in teacbing, and that research is too often esoteric and of little relevance to real business.

The charge presents most business scbools with a dilemma since research provides first-hand knowledge without which teachers are merely retailers of other people's experience, and published research is the main way the teachers can make career progress.

The performance of faculty at a bnsiness schools is judged by all departments of a university (if the school is part of a university] when they are being considered for prnmotion and generally these insist on a record of published original academic research. Too nften original means narrow and esoteric. The school's published output is also the conventional way an academic institution as a whole builds its reputation.

However, most scbools now rank teaching performance alongside research ability and track record as a criterion in recruitment and promotion. Many schools ask students to rate the performance of their teachers at the end of each course. Generally the bead of the MBA programme and the business school dean see the results and at some schools these are published. The surveys are taken increasingly seriously. High performers are rewarded and the others are given remedial training.

Not all faculty will have had a business background, but most schools allow and even encourage them to do private consulting work for, say, one day a week. Lucrative assignments help to make up for low salaries, but they also build up the teacher's knowledge base.

G

Getting the right score

GMAT: Tbe American Graduate Management Admissions Test, known universally as GMAT, pronounced "gee-mat", is a key part of getting into a business school to take an MBA since a good mark is required by all but a few leading schools.

As with all intelligence tests, exactly what it measures is open to doubt and some controversy. The aim is to measure understanding and reasoning ability, both verbal and quantitative, through multiple-choice questions and essays. Most schools find that the GMAT is a good predictor of likely success on an MBA programme, particularly the quantitative aspects.

The lower scorers may have trouble with subjects such as statistics, accounting and finance. For this reason GMAT scores are widely used as an initial screen for candidates (in spite of denials). Schools usually demand minimum scores of 550-600.

There are some doubts abont the test. American schools attempting to diversify their student intake are looking beyond GMAT scores and academic records. In Europe and elsewhere, many schools run their own tests (usually only for local students) in addition to the GMAT because they find that they are more accurate predictors. Some schools also worry that the GMAT is too formulaic and that students can easily be coached in the techniques needed to gain a high score. Indeed, many alumni say it is essential to have coaching.

Recent revisions of the GMAT are intended to counter these criticisms. A new-style GMAT was introduced in October 1994. It retains the multiple-choice sections and now also includes essay questions, which are difficult to prepare in advance and will, it is hoped, tell schools more about candidates.

The essays are not a test of writing skill but of thinking ability. Like the multiple-choice questions but in a different format. Schools will continue to receive the traditional GMAT score but will also get a separate essay mark together with copies of the essays. Most schools believe the addition of the essay questions to be a big improvement.

Further changes to the GMAT are happening. For a start, Harvard is to require the test from September 1997, partly as a result, it says, of the introduction of essay questions. For many years Harvard was the only major US business school not to insist on it. As from October 1997 the GMAT will also be available via computer, making the test available year-round rather than only four times a year.

Applying to take the GMAT is fairly straightforward. Administration is undertaken by the Educational Testing Service (PO Box 6108, Princeton, NJ08541, USA). A registration form can be obtained from the Educational Testing Service, together with the GMAT Bulletin of Information, which details test centres and dates and gives some sample questions. Business school brochures also generally include useful information on the GMAT. The [illegible] Guide to GMAT Review, which contains more than 700 sample questions, one complete test and a guide to the different question sections, is also available for around $10.

IV BUSINESS SCHOOLS

The grand old lady lives

HARVARD: Harvard remains the doyen of business schools. But not everything went smoothly there is the early 1990s. The school lagged behind others in the revamping of MB curricula and the general approach to management education and not a few were prepared to write off the grand old lady.

Now all that has changed. With dizzying speed, Harvard has introduced a new dean and a new MBA that goes far beyond what many bad expected and which looks set to establish a new standard for the 21st century.

In 1992 Harvard began a meticulous – and some thought painstakingly slow – review of its MBA curriculum review known as Leadership and Learning that was only concluded at the end of 1994. With most of the changes now in place, it seems well set to convince former critics that it is again at the forefront of business school ranks.

Dean Kim B. Clark, a long-standing Harvard faculty member, takes a down-to-earth view of the progress the school needs to make.

He wants to make sure that the changes under way lead to a real new philosophy of management education and that Harvard catches up in some rather basic areas, such as information technology. He also wants to ensure that Harvard is more open to the outside world – in both directions.

But as dean Clark also points out, the market, in terms of faculty, students and recruiters, has never lost faith in the school. It has no real challengers. Its placement record is second to none. About a quarter of directors in American Fortune 500 companies are HBS alumni. Each year it generates over 600 cases and 40 books.

And for prospective students? Well, who wouldn't want to go to Harvard? For starters, it has on-campus facilities that make even the wildest dreams of deans of lesser schools look miserly.

The school is sited in Cambridge, home to many of America's top educational institutions, and occupies 27 buildings and 60 acres of landscaped campus across the Charles River from the main university. The Baker library is the largest business library in the world, with 500,000 volumes.

The new MBA curriculum at HBS is one of the biggest changes at the school for several decades and points to a commitment to change that may have surprised many. Harvard describes it as "changing the way we change."

Many of the innovations go way beyond the curriculum revisions of othar schools. The biggest innovation is a switch to a timetable of 4 15-week terms that may be taken sequentially or with a traditional summer break, effectively offering the chance of completing the degree in just 16 months via January entrance. In addition, the school is considering allowing students to take an internship break after terms 1 and 2 whatever their starting date.

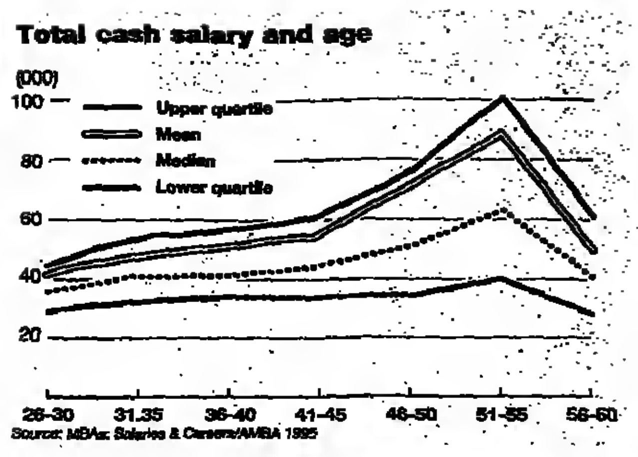
Students begin with a pre-programme session called Essential Skills that aims to bring them all up to speed in areas such as computer literacy, business writing and logical expression, quantitative reasoning and accounting.

This process continues during the required curriculum (the old first year) with 3 Foundation modules that cover areas such as interpersonal skills, group dynamics and business history. Core courses are covered in the required curriculum and electives make up the elective curriculum (the old second year).

The pedagogical style at Harvard has also changed. The former absolute reliance on the case method has been relaxed a little and there is much more emphasis on integration of courses, international material, joint teaching and case development, out-of-class field work and so on.

Harvard is also placing greater emphasis on the teaching and use of information technology.

Total cash salary and age



Source: MBAs: Salaries & Careers/AMBA 1995

The US approach rules

INTERNATIONALISATION: Every business school now claims to be international in outlook as well as students, teachers and material. It is easier said than done, however, and the policy for many schools is only a few years old.

The basic problem is that a high proportion of the teaching material case studies in particular emanates from American research among American companies. Excellent though a lot of it is, the volume of material inevitably skews the teaching of even the most "international" of schools, which would need enormous resources to provide a counterbalance.

What is at issue is not just a matter of cultural detail, since the American, the European, the Asian, business philosophies are all different.

A second factor is that, in a static market, foreign students are a valuable source of additional revenue for most schools. They have an interest in boosting the numbers irrespective of the teaching objectives, and many schools could not exist without them.

Internationalism may be a good thing, but it has its critics. Some schools are accused of neglecting their home market. Some students point out that foreign students can limit a programme because they lack linguistic skills, their background is too alien, or they have a cultural aversion to participation.

Native speakers of the teaching language may be held back and feel obliged to help witb grammar and proof-reading essays.

Courses in tandem

JOINT DISCIPLINE: A glance down the list of MBA or masters programmes at many business schools reveals the extent to which schools work witb other departments within their universities to offer joint programmes – whether it be in finance, marketing or economics.

One of the latest combined programmes has been developed by the Sloan school of Management at the Massachusetts Institute of Technology. MIT has traditionally been renowned for the quality of its scientists and engineers.

Tbe System Design and Management degree course will be launched in January 1997 and has been devised with the help of corporate sponsors including Ford, AT&T, Motorola, IBM and Raytheon who hava been involved in a pilot scheme.

The SDM programme is based on distance learning – the first time that the Sloan School has run a fully-fledged distance-learning course – and so experienced engineers will soon be able to complete the best part of a masters degree in design and management without leaving their desks.

The faculty will use compressed video technology to interact with the multiple remote sites during classroom sessions and will distribute material over the Internet.

Students who complete the programme will receive a joint masters degree in management and engineering from the Sloan school and the MIT school of engineering.

Links to the old school

KUDOS: Possessing an MBA can reflect great kudos on the successful business school student. But it is best to exercise some tact when you let the details slip out. It would be bad form to walk around with with a peaked cap sporting the motif: "Wharton alumni do it in the worst recessions" or "Insead rules OK".

A better approach would be to get hold of the old school tie or stick pin. The problem here is that, unlike tbe English public scbool ties or those from Yale, Harvard or Oxbridge, the MBA school colours do not yet spark the same recognition. Most of the schools market a wide array of mugs, T-shirts and branded paraphernalia but mucb of this would attract little kudos.

Another way would be to drop beavily the names of your school's most prominent professors, particularly if they are a big-name guru. In such cases it would be safest if you had read one of their books or could draw on some little known fact about one of their achievements.

This allows you to start a conversation: "I remember Moss Kanter (never Rosabeth and never ever Ros) laying down the principals underlying the increasing importance of human resources in strategic planning. Very impressive." But such an opening gambit would require an answering inquiry as to where and when you heard this.

The most important point is to establish before you start how mucb kudos is attached to the course, the tutors and most importantly the institution. Businesses tend to have their preferred schools because of the nature of the MBAs.

As for earnings potential, it is not unusual for successful MBA students at one of the top schools donbling their salaries. Last year's full-time MBA students at Warwick Business School increased their salaries by an average of 43 per cent after graduation.

Furthermore, postgraduate networking potential should not be ignored.

Most of the top schools boast healthy alumni associations which are closely monitored by the schools themselves so thay too can point to the business success of their past students.

One of the plebs

KNIGHTS: In terms of *one-upmanship* there can be little to beat having a knight of the realm on the staff. Such is now the boast of London Business School.

Economist David Currie, director of the Centre for Economic Forecasting at LBS, is the first LBS academic to be awarded the title of baron. Lord Currie, as he can now be known, is a former member of the UK Treasury's panel of economic advisers referred to as the "wise people".

Learning from the front

LEADERSHIP: Leadersbip is becoming an increasingly popular subject for business schools. It has become an academic discipline in its own right for MBA students to study and is also a profitable sideline for schools running courses aimed at the CEOs themselves.

Teaching leaders how to lead is a relatively recent phenomenon: until recently most training courses were concentrated on everyone in the organisation below the level of leader. Because of its peculiar nature – leaders will not be impressed by being taught by facilitators with no direct experience of leading themselves – most of the courses consist of getting a group of leaders together in order to offer advice and bome truths to each other and to share experiences.

Professor Manfred Kets de Vries, the holder of the Raoul de Vitry d'Avaucourt Chair in Human Resource Management at Insead, holds a leadersbip seminar every year to which he invites 20 leaders. They come from a wide range of countries and a mixed bag of industries and are lumped together for a gruelling session spanning several weeks in which they are encouraged to criticise each other.

Prof Kets de Vries argues that this sort of cross fertilisation of ideas and honest opinion is the best way of getting leaders (who are otherwise lonely and isolated) to come to terms with problems in their organisations.

Prof Kets de Vries was one of the pioneers in teaching CEOs as if they were fallible humans, rather than machines or positions on an organisational chart. However, in recent years most experts have come to recognise the importance of looking at the "softer" skills of the CEOs, and thinking of effects that their personalities can have on their organisations.

The realisation of the importance of leadership skills has spawned a growth industry in academic writing on the subject. Indeed there are no fewer than 70 different definitions of what constitutes a good leader - whole conferences have been held on the subject, and leadership is debated every semester at every business schools all over the world. Some definitions lean more heavily towards the nurturing, motivating side of leadership, otbers tend more heavily towards the strategic planning side. Yet despite the intensity of the debate there is no sign of any consensus being reached.

The recycling buzz

LIFELONG LEARNING: The concept of lifelong learning is the latest buzz phrase to excite business faculty on both sides of the Atlantic.

Behind the concept is the idea that the pace of change in business is so rapid that tbe qnalification you obtained two or three years ago is no longer up-to-date.

The appeal to business schools is that they can then extract more cash from alumni to continually retrain them. The challenge is to ensure their alumni return to them for tbeir education rather than shifting allegiance to other schools.

The Sloan School at MIT, for example, is planning to introduce a voucher system, so that graduates would leave with a handful of vouchers which they could cash in several years into the future.

Harvard recognises its publishing arm could play a big part in keeping gradnates up-to-date through sales of its books, journals and CD-Roms. But, admits Mr William Sahlman, director of publishing activities at Harvard, "We haven't worked out how mnch people are prepared to pay for it."

More than English

LINGO/LANGUAGE: English may be the international language of business, but the internationalisation of the economy means it is no longer enough for English speakers to have a smattering of schoolboy French. At London Business School all students on the MBA programme are required to have sufficient fluency in another language to be able to negotiate in business, in writing and in person before they can graduate. Onerous as this makes the course for UK nationals, many apparently choose the course for just this reason, according to LBS.

L

Time is money

LENGTH OF COURSES: Should an MBA programme be one year or two years long? Should executives be expected to give up six working weeks to study for management courses?

Such are the questions taxing every business school as it heads towards the millennium. With time proving an ever more expensive resource for busy executives, the resounding response is that courses have to get shorter. Even at Harvard Business School, the bastion of traditional courses, architects of both the MBA programme and the executive courses have recognised that brevity sells courses.

While Harvard held out for a two-year MBA course for many years, from January this year it introduced a shorter course starting in January rather than the traditional September.

On the executive education front, Harvard's latest course, intended for recently-appointed managers, ditches the usual six-week format in favour of two three-week course periods between which participants return to their companies for seven weeks to put into practice the techniques they have learnt on the course.

The school has given up completely the concept of the six-week course, reports Professor Earl Sasser, senior associate dean and chair of executive education at Harvard, "but the customer can get away for three weeks at a time more easily than six."

While most MBAs at US schools have traditionally been two years in length, and taken students in their early to mid-twenties, the European model for the MBA largely relies on taking older students - often in their late twenties - and compressing the course to a year, omitting many basics.

However, many US business schools are now reporting intakes with older, more experienced students, begging the question as to whether they will be forced to cut the length of their programmes.

While most UK full-time programmes are for one year and a part-time programme two years long, Cambridge University has gone out on its own in introducing a programme which spans three academic years. The programme at the Judge Institute in Cambridge involves three terms of full-time study and one year of practical work experience and work-bases assignments. The structure demands much from both the student and employer, but argue the Cambridge dons, the benefits are enormous.

Nothing but the best

LUXURY: Many European business schools are emulating their American counterparts and devising MBA programmes for specific target groups, but none has the caché of a course run by Essec Graduate School of Management.

The 13-month MBA programme specialises in luxury brand management and has been designed in conjunction with companies such as jewellers Cartier, champagne producers Moët & Chandon and a host of fragrance companies. The companies themselves participate in the project work of the students on the course.

The programme is held in Paris (where else?) and intended for those who want to work in the luxury brand business. The organisers may find themselves somewhat over-subscribed for the 20 places on the course.....

Main qualification before business school*

Source: Amba/Guide to Business Schools 1996/97 *1992 figures

M

Special value added

MINORITIES: Long under-represented, both at the business schools and in corporate offices, MBA graduates from minority ethnic groups find that they are now highly desired commodities, particularly in the US.

Their particular desirability to the corporate world is two-fold: companies have realised that they have minority customers, and want to target them; and they are waking up to the special skills many minority students possess such as bilingualism or familiarity with other cultures.

In the US in recent years the efforts of minority MBA organisations such as the National Black MBA Association and the National Society of Hispanic MBAs have also helped boost the number of minority students who have applied to business schools, creating a larger graduate pool.

As corporate America places more value on having a diverse workforce, executives have discovered that conferences sponsored by minority MBA organisations are fertile recruiting ground for employees.

In Europe minority groups have been slower to organise professional bodies to represent their causes. The only overseas affiliated member of the American National Black MBA Association, for example, is the the UK's African and Caribbean Finance Forum, which is run completely by volunteers.

The new mindset

MINTZBERG: Canadian Henry Mintzberg, acknowledged management guru, has often expounded his strongly-held view that in-house training programmes lacked depth, while MBA programmes were too detached from the actual management practice.

In March this year, he got a chance to put his theories into practice with the International Masters Programme in Management, an alternative management programme devised by Mintzberg and other academics.

McGill University in Canada and Insead in France, where Mintzberg teaches, have teamed up with Lancaster University in the UK, Hitotsubashi University in Japan and the Indian Institute in Bangalore to run the programme.

The programme is designed for some 40 high-flying managers from a small consortium of companies drawn from North America, Europe, India and Japan. The taught element of Mintzberg's course comprises five modules of two or three weeks - each on a different campus, starting with Lancaster and followed by the participating universities in Canada, France, India and Japan.

Students can then complete a thesis, related to their day-to-day work, to get a masters degree from either McGill University or Lancaster. About 80 per cent of the students on this first course will go for the masters.

The course uses tutorials - a peculiarly British teaching method - to help weld the 12 weeks of coursework into a cohesive 16-month programme. Once during each residential part of the programme, and once between each taught element, the individuals peel off into company groups for discussion with a tutor.

Matsushita and Fujitsu, the two Japanese companies, form one tutorial group. BT and Telnor, the Norwegian telephone company which has a joint venture with BT in Sweden, a second, and the Indian companies a further group.

Mintzberg has got away from the traditional subject areas such as economics and marketing and focused on what he calls "mindsets" - the reflective mindset, the worldly mindset and the catalytic mindset, for example.

Although such an approach to topics is new, the consortium MBA approach has been around for some years. At City University Business School, for example, a consortium MBA programme has been in place for some 15 years. Between 40 and 50 companies have sponsored students on the course over that period, including big names such as Texaco.

Every few months the corporate sponsors meet up to swap ideas on how the course is going.

By the right...

MILITARY: First it was the civil service, then it was hospital staff, now the UK military are finding themselves shipped off on management courses.

The UK's Ministry of Defence is sending some 200 senior or middle managers - including uniformed officers as well as civil servants - for management training over the next three years.

Ashridge Management College in Hertfordshire has been given the job of delivering the programme.

N

Keeping the ties that bind

NETWORKING: When graduates of full-time MBA courses are questioned about the value of the courses they all produce a similar answer. Whatever the academic or practical worth, one of the most important advantages of an MBA is the friends you meet on the course.

For many it is a cathartic experience, spending many evenings in small groups trying to reach a consensus on management issues.

Twenty years after graduation, many still keep in touch on a personal level, as well as through the alumni networks and reunions organised by the business schools. Many work together or use their contacts to lever business advantage.

The big challenge for schools which offer only correspondence courses is how to emulate these relationships. Few have been successful, with only the Open University in the UK having achieved some success with alumni groups.

But perhaps the biggest leverage of all is not student on student but business school on student. The network of alumni provides much-needed funds for many business schools, not to mention the ability to bring back old students to talk to those who follow in their footsteps.

Most proficient of all at these skills is Harvard Business School, which can boast an impressive array of alumni in the top jobs of both corporate America and many of the smaller entrepreneurial companies.

Fees for EC students at accredited UK schools (£)

University/College	Full-time MBA	Part-time MBA	University/College	Full-time MBA	Part-time MBA
Ashridge Mgt College	14,000	14,000	Lancaster	7,950	n/a
Aston	8,000	8,500	Leicester (De Montfort)	6,000	6,000
Bath	9,000	14,000	London Business School	21,000	24,000
Birmingham	5,500	5,500	Loughborough	n/a	5,500
Bradford	8,500	7,500	Manchester Business School	15,000	13,000
Bristol (W England)	n/a	7,600	Manchester Metropolitan	n/a	6,000
Cambridge, Judge Institute	23,000	n/a	Middlesex	6,500	5,900
City	9,000	15,000	Newcastle	6,900	6,900
Cranfield School	12,500	17,000	Nottingham	7,200	7,200
Durham	7,500	7,500	Open University	n/a	n/a
Edinburgh B'ness, Heriot-Watt	6,300	8,300	Sheffield Hallam	6,900	5,500
Edinburgh	6,950	5,000	Sheffield	6,500	n/a
Glasgow	7,600	7,600	Stirling	8,200	5,000
Henley Management College	10,750	12,850	Strathclyde	9,000	8,650
Imperial College	9,975	16,500	Warwick	11,000	10,769
Kingston	n/a	8,000	Westminster	7,500	6,000

Some schools have not fixed 1996 fees and figures might be adjusted

Source: AMBA 1996

O

Money amidst the spires

OXFORD: Oxford University has long been regarded as one of the most prestigious in the world. In 1996, it certainly made the biggest headlines in the world of business schools when it announced that Syrian-born entrepreneur Wafic Said was to give £20m to the School of Management Studies at the university, to be renamed the Said Business School.

This is a large sum by any school's standards, not least for one that is not yet built. Indeed, the university has not yet received planning permission for the city-centre site needed by the school. The lion's share of the £20m donation is intended to go towards the construction of the new building on a sports ground.

Nevertheless the school has already begun its first MBA programme with some 40 students and has appointed Professor John Kay as the new director of the school.

Recently in the limelight as an adviser to Mr Tony Blair, leader of the Labour party in the UK, and a proponent of the concept of stakeholding, 48-year-old Kay has built a reputation among both business and academic communities for his application of economic analysis to business issues.

Prof Kay made his name as a director of the Institute of Fiscal Studies, and is chairman of the business consultancy he founded 10 years ago, called London Economics. He is also a visiting economics professor at the London Business School and a former economics lecturer at Oxford.

Said's donation has been welcomed throughout the business school community because it raises the stakes for potential benefactors and raises the profile of business as an academic subject. With government funding for graduate management education, UK institutions are not alone in looking for sponsors.

But even in the US, which has a far longer tradition of this form of sponsorship, £20m is a lot of money. It outstripped the recent donation of $30m (£19.2m) given to the Graduate School of Business at Babson College, in Massachusetts, now called the Franklin W. Olin graduate school of business in recognition.

And in the UK, Said is certainly setting the pace. Sir Paul Judge gave £8m to Cambridge University to set up the Judge Institute and Oxford's Templeton College received just a little more than £7m in two tranches from Sir John Templeton.

P

Earning while learning

PLACEMENTS: Placements come in various guises depending on the business school and duration of the course and may be an important factor in school or course choice.

One aspect to keep in mind is whether a course project demands a piece of theoretical work or work on a "live project". The fourth term at Warwick, for example, involves a three-month in-company consultancy project which must be completed satisfactorily in order to graduate. More than one in five of its students receive offers of employment from their project sponsor. It is worth noting that Warwick itself takes the fee from the sponsoring employer.

Mid-course placements arranged by students doing two-year courses at London Business School involve paid work for the students who can often receive substantial fees for their work that can prove useful in supplementing course fees. Both schools have active career management offices which help to arrange and vet prospective placements.

Q

Matching and mixing

QUALIFICATIONS: Not every graduate business school offers just a master of business administration degree and not every MBA is in general management.

A reading of any business school prospectus will throw up all sorts of specialised MBAs - in marketing, finance or design. The spread is particularly prolific in the UK, where smaller business schools rely on the expertise in other areas of the university to develop courses.

For those who want to be even more specialised many business schools also offer straight masters degrees, such as London Business School's masters degree in finance or the masters in design management offered by SDA Bocconi in Milan.

Such courses often bring the business schools into competition with professional bodies, such as the International Securities Market Association in Zurich. ISMA recently set up a dealing room at Reading University, in the UK, where students work towards an MSc in international securities, investment and banking.

This nine-month course, launched two years ago, differs from most post-graduate degrees in finance and banking in that it stresses the importance of practical experience to back up the theory.

With institutions keen to recruit well-trained staff who can hit the ground running - rather than generalists who need months of training - many students see the course as a stepping stone into London's financial services industry.

Women students (%)

School	
Singapore	53
Norwegian (Econ)	50
Chinese (HK)	48
Stirling	46
Birmingham	4[illegible]
European	45
Lancaster	45
NIMBAS	40
Monash Mt Eliza	40
Sheffield	39
Southern California	38
Thunderbird	38
Weatherhead	38
City	37
Dublin (UCD)	37
Hong Kong UST	37
Toronto	37
Ashridge	36
Asian Institute	36
Arthur D Little	35
Durham	35
IE	35

Source: Which MBA? EIU 1996

VI BUSINESS SCHOOLS

UK universities: research assessment

University	Ranking
Bradford	5
City	4
Lancaster	5
London Business School	5
Loughborough Univ. of Technology	4
UMIST	5
Southampton	4
Warwick	5
Strathclyde	5
Wales, College of Cardiff	4

Top ranking 5 indicates some research of international excellence with rest of national excellence.

Source: AMBA/Guide to Business Schools 1996/97

In it for the money

SALARIES: One of the biggest motivations for studying for an MBA course is the resulting increase in salary you can expect on graduation.

In the glory days of the early 1980s MBA graduates in the UK, for example, reported a 57 per cent increase in the salary they earned on graduation over their salary on starting the course, according to the Association of MBAs (Amba). A similar survey among those who graduated in 1994 reported an average increase in salary of just 28 per cent, with the median salary for employees with an MBA standing at £39,000.

However, the value of an MBA would appear to be on the rise again, particularly in the US where the qualification is proving increasingly attractive after the lull of recent years.

A survey conducted in March this year by the director of career services at Duke University's Fuqua School of Business looked at the graduation salaries and remuneration packages of graduates from 11 top-tier MBA programmes. It showed that the graduating class of 1996 started work at a mean annual salary of $69,387 (£44,479), including signing on bonuses, the total first year remuneration was an average $82,880. Some of the very top schools report even better salary figures for their graduates. At the Sloan school of management at MIT, for example, the class of 1996 reported median starting salaries of $103,500, including bonuses.

Schools targeted in the Fuqua survey were the Amos Tuck school at Dartmouth, the Anderson School at UCLA, Indiana University, the Kellogg school at Northwestern University, the University of Chicago, the Darden school at the University of Virginia, Wharton at the University of Pennsylvania, the Katz school at the University of Pittsburgh and Stanford University.

The Wharton School: the average starting salary for its MBA graduates tops the list

Bruce Stromberg

High life left behind

SOCIAL LIFE: Abandoning your social life appears to be a pre-requisite of business advancement in the 1990s. So you might as well get used to it from the start. Studying for an MBA, particularly if it is a part-time course undertaken while doing a full-time job is going to eat up most of your spare time.

Forget the campus approach of the average student fresh from school who soon gets into the routine of the odd lecture and essay interspersed among the three-year jamboree of booze, sex and partying. There is hardly an MBA in existence that can be achieved without hard work.

For those who do not see the MBA course as a stretch of corporate-flavoured porridge, one option is to begin socialising with fellow MBA students who are not going to fall asleep over a discussion of the merits of the Hawthorne Experiments or the concepts of Theory X and Theory Y.

London Business School says that its MBA courses have been something of a *match-making service*. It says several couples have met and subsequently married while studying there. The LBS said: "It has become quite common. They are working so hard they don't have the time to meet anyone else."

Virtual trading reality

SIMULATED TRADING: Wall Street beckons for many an MBA graduate. So the Sloan School of Management at MIT, in Boston, has installed a $3m (£1.9m) simulated trading floor in its basement to train its graduate management students in the art of making money.

With glowing green Nasdaq figures whistling electronically across one wall and stock prices from Far Eastern markets shooting across computer screens, the room looks like any other trading floor except for the area designated for the professor at the front.

The room is so realistic, in fact, that Wall Street firms are talking about visiting the students to see what they are working on.

Taking on the boffins

SCIENTISTS: A scientific mind is no bad thing in the world of business. But only recently have business schools decided to woo scientists on to their graduate management programmes.

While universities such as MIT (the Massachusetts Institute of Technology) have been renowned for enrolling good science and engineering students on to their general business school programmes – this year about 50 per cent of the students on the Sloan school's MBA programme have a technical background – Cornell has been the first to devise a scientist-only programme.

The Cornell course takes scientists and gives them a general management training – rather than training general managers in science or technology. Because so many qualified scientists have spent years doing research, Cornell felt it would have to build a shorter programme than the traditional two-year course in order to attract them. So the school developed a course in which the former science students spend 10½ rigorous weeks studying the basics of micro-economics, finance and so on, then join the 230 general MBA students for the final year of their course.

With vast cuts in basic research resulting from the end of the cold war and industry cuts, many scientists are now eager to turn themselves into businessmen, says Mr Alan Merten, dean at Cornell's Johnson graduate school of management. "There is less need for highly trained scientists but more need for the diffusion of science in business."

The coming of age

SILVER JUBILEES: It is twenty-five years since American business schools decided it was time to encourage European universities and institutions to follow the US model. The institutions they set up at the time are now celebrating their silver jubilees.

The European Foundation for Management Development (EFMD), the European business school club which is now at the heart of the debate on accreditation of European business schools, was one organisation set up at that time.

Another was the European Institute for Advanced Studies in Management (EIASM), set up as an academic network to spearhead American-style business education techniques in Europe, was bolstered by funding from European governments when it was set up 25 years ago. The last of the government cash evaporated last year and a hard-headed financial reality has now replaced the blue skies approach to management research of the 1970s.

Ms Gerry Van Dyck, who was appointed director of EIASM last year, sees her role as masterminding the transition of the institute from a purely academic to a truly commercial organisation. "As resources are getting more scarce research has to fulfil several functions," says Ms Van Dyck.

Her aim is to persuade business schools to commit themselves as institutional members of the organisation and to back their commitment with cash.

As well as acting as an information source, the institute runs small-scale meetings – between 25 and 30 a year – on specific topics, accounting research, say, or production control. It also organises conferences and newsletters for outside organisations.

Trek to the new frontier

SOUTH AFRICA: South Africa is proving a particularly popular haunt for MBA students seeking unusual placement opportunities and for business schools looking to drum up business.

Cranfield School of Management in the UK, for example, has developed an International Development Consultancy option on its MBA course following a highly successful trip by its students to Cape Town, where they helped everyone from small business directors to street vegetable sellers to write business plans, address marketing needs and arrange finance.

The Erasmus Graduate School of Business at the Rotterdam school of management has set up exchange programmes with four South African universities, Stellenbosch, Witwatersrand, Pretoria and Capetown and part-time students from Erasmus have already visited their counterparts in South Africa.

At the other end of the scale Oxford's Templeton College, together with consultants Ernst & Young, set up the Oxford Southern African business leadership programme to help companies that want to do business in southern Africa. The course was held in the Magaliesburg hills, a 90-minute drive from Johannesburg. The residential two-week programme looked at business processes, strategy and the business environment amid the usual attractions of a African safari park.

Right for the job

RECRUITMENT: It is still the case that the MBA carries far more weight in the US than it does in the UK or the rest of Europe. Some US institutions, for example have a policy of recruiting graduates, employing them for two or three years as analysts, then parting company with them while they get a post graduate MBA. If they are lucky and successful in their studies they may be re-employed on the corporate finance side of the business.

Mr Andrew Lowenthal, head of Banking practice at Egon Zehnder International, the search consultancy, said that clients seeking people to fill senior posts such as that of chief executive in a public company would still be more concerned about track record rather than whether the individual possessed an MBA. "Companies, however, are becoming more interested in people who may have experience at one of the top consultancies and this almost inevitably mean that they had an MBA." says Mr Lowenthal.

Both Mr Archie Norman, chairman of ASDA and Mr Colin Dyer, chief executive of Courtaulds Textiles are examples of MBA-holding executives who spent their early careers with the McKinsey consultancy.

Mr Egon Zehnder, the Swiss lawyer who founded the headhunting business, is an MBA graduate of Harvard Business School. The firm insists, with few exceptions, that its consultants possess an MBA or the equivalent in the form of a second degree.

If the MBA is matched with a spell working for one of the top consultancies such as McKinsey, Boston Consulting or Anderson Consulting the chances of landing one of its highly paid headhunting posts are even better.

Catching up again

REFRESHER COURSES: The latest type of course now being offered by business schools is a refresher course, for alumni who took their MBA degrees several years ago and want to brush up on the latest in macro-economics or accounting. The courses usually last a few days or a week.

Average starting salaries of recent graduates from selected schools* ($)

North America		Europe		Rest of world	
Wharton	90,000	ISA at HEC	78,904	Australian GSM	64,075
Columbia	80,000	INSEAD	78,606	Melbourne	61,480
Harvard	75,000	IMD	74,513	Curtin	45,930
MIT Sloan	75,000	London	70,700	Singapore	35,179
Stern	74,284	Groupe ESC Lyon	67,918	Wits	34,285
Stanford	73,500	Warwick	85,803	Chinese University	26,390
Chicago	72,000	Norwegian (Man)	62,344	Hong Kong UST	21,733
Arthur D Little	70,000	RSM/Erasmus	61,106	Asian Institute	11,443
Kellogg	70,000	City	56,621	Indian Institute	6,039
Carnegie Mellon	68,579	Nijenrode	54,390		

*Supplied by schools; converted using average rates for Jan 1996; data not available for all schools. Source: Which MBA? EIU 1996

T

Abroad is part of the deal

TRAVEL: For many a business school student travel does not mean a mind-broadening trip around the Himalayas. Nor does a long weekend mean the joys of a luxury hotel and a guided city tour. For them, travel is all part of the deal when they decide to study for an executive MBA.

A growing number of students now travel overseas to study for executive MBA degrees, particularly in Europe, and several US business schools are cashing in on the trend.

The University of Chicago, for example, transposed its international executive MBA course to Barcelona in July 1994. The 18-month Chicago executive course draws in mature students from across Europe and even further afield. Of the 107 students on the two ongoing courses only 28 are resident in Spain and only 20 are Spanish. Students travel every month from as far afield as Angola and Venezuela and several are Americans working overseas. Indeed 45 per cent of the students on the course work in a country where they are not a national.

In North America there is also a growing demand for cross-boundary MBA study. Georgetown University in Washington DC, for example, has been running an executive MBA programme since September 1994. This September the course took on its first overseas student. And there are several overseas students on the flexible MBA programme run by the Katz school at the University of Pittsburgh, Pennsylvania.

The advantage to the students is that they get to meet peers from other countries and cultures and can study without leaving their jobs.

Much needed relief

TAX RELIEF: One of the thorniest issues for students studying for an MBA in the UK is whether they can get tax relief on their fees if they pay for their course themselves – companies who sponsor students are automatically eligible for tax relief on the fees they pay.

Lobby groups are hoping that all students will be eligible for the tax relief, but at the moment only those who study on full-time courses of less than a year can claim a payback. The 80 per cent of MBA students who study part-time are not eligible.

The Baker library at Harvard University (left) and the European Business School in Regent's Park, London (right): MBA hands reach across the sea

Reasons for studying for an MBA degree*

	World	N America	Europe	Rest of world
To increase salary	9	14	7	7
To open new career opportunities	37	40	37	39
Company advice/or requirement	2	1	2	1
To further career	13	9	13	13
Friends/colleagues' recommendation	1	1	1	1
Potential to network	4	3	4	5
Educational experience	8	12	8	6
Other**	29	22	29	29

*% importance accorded by students to each factor **Including personal development

Source: Which MBA? EIU 1996

Criteria for choosing schools*

	World	N. America	Europe	Rest of world
Programme content	17	18	24	10
Reputation of school	36	35	32	41
Teaching methods	5	4	6	6
Careers services record	1	2	1	1
Press advertising	<1	<1	1	<1
Location	16	14	16	20
Published sources	6	8	4	6
Friend's recommendation	7	5	9	7
Quality of teaching faculty	10	10	11	10
Starting salary of graduates	1	1	1	1

*% importance accorded by students to each factor

Source: Which MBA? EIU 1996

U

Drawing a wider audience

UNDERGRADUATE COURSES: It is not just the aspiring graduate who wants to study business these days. Applications for undergraduate business courses is also soaring.

A recent survey conducted in the US by the Kenan-Flagler business school, at the University of North Carolina at Chapel Hill, revealed that there was a 26 per cent increase in enrolment in undergraduate business courses in the US between 1992 and 1995. At the same time the grade point averages of the students entering the courses rose, dispelling fears that more students meant a lower quality.

The survey was completed by the deans and programme administrators of 31 leading undergraduate business programmes who attended the 1995 National Symposium on Undergraduate Business Education. The study also showed that technology has had a big impact on the curriculum, with courses such as "Commerce on the World Wide Web" now available. Most courses have also changed to incorporate global issues in the curriculum and now have more writing and presentation opportunities There has also been an increasing interest in internships to ensure that students have relevant business experience.

The new values

UNIONS: Britain's trade unionists are realising the value of a management education, up to and including MBA level. In May the Engineers and Managers Association, representing 32,000 professionals in industries such as aerospace, electricity supply and shipbuilding, joined with Britain's Open University to offer an MBA to union members and other engineers and managers. Its MBA in Technology Management is offered at fees individuals can afford so that they can take charge of their own education.

V

Coming forward first

VOLUNTEERISM: The stereotype of the 1980s business school graduate may have been the hard-headed, egotistical money-grubber, but in the apparently more caring world of the 1990s, business schools and their students are putting an increasing emphasis on volunteer work.

American schools, in particular, are establishing formal volunteer programmes and reporting a surge in student interest. At Columbia Business School, for instance, about one-third of students now volunteer for community work on a regular basis, compared with just 4 per cent five years ago. Nearly half of Boston College's business school students are involved in the volunteer programmes. Wharton, at the University of Pennsylvania, has made community service a part of the required curriculum for its undergraduate business students, who receive grades based on their performance.

But the moves are not purely altruistic. One pay-off is improved relations between the business schools and the neighbourhoods in which they operate. And students may grow from the experience as well.

Professors often bemoan the fact that their charges too often come from affluent backgrounds where they have little contact with people of different ethnic backgrounds and economic means, a distinct disadvantage in corporate America where the ability to mix with workers of different backgrounds is considered central to success.

Recruiters also believe volunteerism can build leadership and skills and teamwork and give students a chance to use the tools they learn in the classroom.

After the past, a future

VIETNAM: While eastern Europe was the international focus of many business schools during the early 1990s, today there is a growing interest in South East Asia and particularly in Vietnam.

Last December saw the first business development conference for 20 years to take place in Ho Chi Minh City. The conference was sponsored by the DePaul University in Chicago together with the Australian Swinburne University and the Vietnam Chamber of Commerce.

Then in May, the Amos Tuck School of Business Administration at Dartmouth College, New Hampshire, announced that it had begun a co-operative executive programme with the Vietnam National University's new Hanoi School of Business. The programme was designed to train Vietnamese managers in American business skills.

Thirty senior-level Vietnamese managers were on the first course in Hanoi, which lasted 12 and a half weeks and provided intensive study in accounting, business planning, marketing and other management skills. Included in the course was a trip to the US where participants toured organisations such as Boeing and the New York Stock Exchange. Final courses in the programme were taught on the Tuck campus.

W

Greater equality in the US

WOMEN: Students on MBA courses have a lot in common: they are bright, able and often pretty rich. Moreover, most are men.

The lack of women is a particularly acute problem in Europe, where schools require several years of solid work in the business world before they will accept students on the course. That means that European MBA students tend to be in their early thirties.

In the US, on the other hand, students are usually 26 or 27 years old and usually not as concerned with issues such as bringing up a family. There is a consequent higher proportion of women on MBA courses – about one third of US courses tend to be women.

According to recent figures published by IMD, in Lausanne, in Europe the number of women on MBA courses is as low as 15-30 per cent, varying from country to country. So concerned are many of the European schools that some – IMD, London Business School, Manchester Business School and Lancaster in the UK – have devised scholarships to fund women through the courses.

Others believe much of the problem lies in the presentation of the courses. An MBA is often marketed as an aggressive curriculum, highly competitive and certainly hard work. The goal at the end is often seen as a higher status and lots more money.

Women may not want to study on this kind of course, says Ms Susan Vinnicombe, dean of management and administration faculty at Cranfield's School of Management, in the UK. "Women are much more likely to talk about job success in terms of an inner psychological dimension," she says.

At Manchester Business School, the problem was identified several years ago and promotion material for the Manchester MBA was changed to stress that the course handled "people skills" as well as the subjects such as economics, accounting or statistics.

The result has been a sizeable increase in the number of women students on the Manchester MBA. In 1993, only 26 per cent of students on the part-time MBA course were women. This year, the figure is 52 per cent. The full-time course has 27 per cent women students.

Mr Andrew Dyson, director of post-graduate administration at Manchester, puts the popularity of part-time courses down to the fact that many women in their early thirties want to take a career break for family reasons. They are therefore unwilling to take a further year off to study.

For those women who do get MBAs the employment prospects are very favourable. Not only are employers queueing up to employ women with MBAs, but women MBA graduates experience a far greater net income gain from their degrees than their male counterparts, according to a survey completed by the Fuqua School of Business at Duke University.

The differential, however, is largely due to the lower pay rates of women without an MBA. Before entering an MBA programme women students earned a mean annual salary of $40,254 (£25,800), compared to $48,860 for men, a net difference of about 21 per cent. Starting salaries for MBA graduates showed no difference between pay for men and women and now stands at around $69,387.

The Fuqua 1996 MBA survey, conducted among graduates from 11 top notch US business schools, has been conducted every other year since 1988.

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Be sure the choice is right

WHICH MBA? With the increasing number of business schools offering MBA courses, and the growing diversity of courses from each school, it is not surprising that even the most informed applicant can get befuddled by the choice.

Advice from the professionals could provide some of the answers.

If you are rich enough you should aim for one of the top US schools, believes Professor David Norburn, director of the management school at Imperial College London. In particular he believes Stanford and Harvard, both two-year courses, give the "best alumni leverage and brand name."

But you need to be seriously rich as two years of course fees, living expenses and the cost of being out of work could set you back more than £100,000.

Professor George Bain, principal of London Business School believes students should focus more on their own personal requirements. "If you seek a position with a top-flight international company, then look for a top-flight MBA programme. Look for a school with good links to the kind of companies you want to work for," he says.

In the US, where league tables are a way of life, rankings are one way to assess the reputation of schools and the American Assembly of Collegiate Schools of Business runs an accreditation scheme to sift out the weaker ones. In Europe, there is a fledgling accreditation process but schools tend to thrive on reputation alone.

As well as studying the school, applicants should study the programme: no two programmes are the same. Students should ask themselves whether they want a course which will give them skills in general management or a specialist function - many MBAs are now tailored for specific professions, such as designers or marketing staff. Studying abroad could be used as a way of learning a new language.

Even if your preferred school is overseas you should try and visit during term-time and talk to both the faculty and the students. For those planning to work and study simultaneously, practising students will provide the best guide to the workload involved.

And applicants should assess the culture of the school: is the atmosphere competitive or co-operative and which is most appropriate?

At the end of the day, says Prof Bain, you should not be swayed by fashion. "Don't be rushed into picking a particular school because of its reputation in a few fields or because 'everyone else is going there'. This is one of the most important decisions you will make in your career: make sure it is the right one," he says.

Women's participation in MBA courses has been increasing and the financial rewards are beginning to match those of men

X

A new creeping target

GENERATION X: Generation Xers, the latest group of young people to replace the baby boomers and the yuppies, may not be the traditional intake of MBA students. A disparate group recognised mainly in the US, they are characterised as young, cynical about the values of corporate culture and often under-employed.

But while only a few might go on to study for business degrees, they are creeping on to courses in different ways.

How do you manage Generation X employees? How do you target market to Generation Xers? Such are the courses now being devised, with plenty more to follow.

Y

Savour of the bouquet

YEARS: Business schools are a bit like good wines: they come in good years and bad years. And this rating all depends on the students who apply, or, more particularly, on what they do when they leave.

The London Business School class of 1979, for example, can boast Wong Kan Seng, the Singapore minister for home affairs.

Meanwhile Insead, at Fontainebleau, is particularly proud of its class of 1969, which numbered Lindsay Owen-Jones, the English chairman of L'Oréal, as a member.

IESE, the International Graduate School at the University of Navarra, now preens itself in the glory of Luis Enrique Yarur, director of the Santiago Stock Exchange. He graduated in 1975.

It is all good elitist stuff for the wine connoisseur as any trip across the Atlantic will reveal. Over there, if you go to any one of the top US business schools, Wharton, say, or Harvard, most years are reckoned to have been good years.

Z

Please do not feed

ZOO: Every school boasts its own particular local attractions, be it good restaurants, spectacular views or a mind-blowing nightlife.

But the London Business School has an attraction all its own: the London zoo.

For those who prefer apes to accounts and elephants to economics, spiders to salaries and yaks to yearly assessments, the zoo is just a short walk from LBS across London's Regent's Park.